



PIXLEY-KA-SEME DISTRICT MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016**

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

INDEX

Description	Page No.
General Information	3
Approval	4
Accounting Officer's Report	5
Statement of Financial Position	13
Statement of Financial Performance	14
Statement of Changes in Net Assets	15
Cash Flow Statement	16
Statement of Comparison of Budget and Actual Amounts	17
Accounting Policies	24
Notes to the Financial Statements	40
The following appendices do not form part of the Annual Financial Statements and are unaudited:	
Appendix A	75
Appendix B	76
Appendix C	78
Appendix D	79
Appendix E	80
Appendix F	85
Appendix G	86
Appendix H	87

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

GENERAL INFORMATION

Members of the Council:

JZ Lolwana	Mayor
MT Kibi	Speaker
UR Itumeleng	Member
GL Nkumbi	Member
TA Sintu	Member
NS Thomas	Member
KJ Arens	Member
ME Bitterbos	Member
WJ du Plessis	Member
A Fritz	Member
JH George	Member
J Grobbelaar	Member
DP Jason	Member
P Louw	Member
EL Schultz	Member
PN Signeur	Member
LC van Niekerk	Member
FM van Wyk	Member

Municipal Manager: RE Pieterse

Chief Financial Officer: BF James

Grading of Local Authority: Grade 3

Auditors: Auditor-General

Bankers: ABSA Bank Limited

Registered Office: Culvert Road
De Aar
7000

Physical Address: Culvert Road
De Aar
7000

Postal Address: Private Bag X1012
De Aar
7000

Telephone Number: (053) 632 0891

Fax Number: (053) 631 2529

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 89, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: RE Pieterse

31 August 2016

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Pixley-ka-Seme District Municipality at 30 June 2016.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2015/2016 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2016 indicates a increase in Net Assets, a decrease in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The decrease in Non-current Liabilities is primarily as a result of the decreases in Retirement Benefit Liabilities and Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Payables.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

2.1 Financial Statement Ratios:

INDICATOR	2016	2015
Surplus / (Deficit) before Appropriations	(11 062 312)	(11 656 109)
Surplus / (Deficit) at the end of the Year	593 798	(4 379 450)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	56.55%	55.64%
Remuneration of Councillors	7.44%	7.72%
Depreciation and Amortisation	4.06%	4.90%
Impairment Losses	0.25%	1.89%
Repairs and Maintenance	0.48%	0.66%
Interest Paid	2.06%	2.72%
Contracted Services	0.48%	0.12%
Grants and Subsidies Paid	11.88%	2.95%
General Expenses	15.36%	21.63%
Loss on Disposal of Property, Plant and Equipment	1.43%	1.77%
Current Ratio:		
Trade Creditors Days	39	10
Debtors from Exchange Transactions Days	152	61

The extremely poor ratio for Debtors Days, calculated on net Debtors, is because of bad debts in the amount of R1 567 564 (2015: R1 427 690) provided for at year end and the immaterial increase in the Provision for Impairment, which renders a unfavourable ratio for the year.

2.2 Performance Indicators:

INDICATOR	2016	2015
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	1.15%	38.49%
Outstanding Service Debtors to Revenue	1.15%	38.49%

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

2. KEY FINANCIAL INDICATORS (continued)

INDICATOR	2016	2015
Liquidity Management: Liquidity Ratio	0.07	0.08
Liability Management: Capital Cost as percentage of Own Revenue	(0.26)%	1.05%
Borrowed Funding as percentage of Own Capital Expenditure	-	58.04%
Borrowing as percentage of Total Capital Assets	(183.05)%	(174.93)%
Safety of Capital: Gearing	(183.05)%	(174.93)%
Financial Viability: Debt Coverage	57.30%	77.03%
Cost Coverage	(0.25)	(0.10)
Financial Performance		
Expenditure Management: Creditors to Cash and Investments	100.00%	100.00%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Pixley-ka-Seme District Municipality can generally be classified as General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2016 are as follows:

DETAILS	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual/ Budgeted %
Income:					
Opening surplus / (deficit)	(11 656 109)	(6 337 372)	83.93%	11 776 000	(198.98)%
Operating income for the year	50 663 291	41 534 174	21.98%	52 827 000	(4.10)%
Appropriation for the year	-	(939 287)			
	39 007 181	34 257 515		64 603 000	
Expenditure:					
Operating expenditure for the year	50 069 493	45 913 625	9.05%	54 512 000	(8.15)%
Closing surplus / (deficit)	(11 062 312)	(11 656 109)	(5.09)%	10 091 000	-209.63%
	39 007 181	34 257 515		64 603 000	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS (continued)

3.1 General Services:

Rates and General Services are all types of services rendered by the Municipality, excluding those listed below. The main income sources are Sundry Fees levied.

DETAILS	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual/ Budgeted %
Income	45 194 162	35 439 769	27.52%	46 958 000	(3.76)%
Expenditure	(46 124 313)	(40 359 374)	14.28%	(50 947 656)	(9.47)%
Surplus / (Deficit)	(930 151)	(4 919 604)		(3 989 656)	
Surplus / (Deficit) as % of total income	(2.06)%	(13.88)%		(8.50)%	

Variance from 2015 actual:

The Municipality generated significantly higher Income from Grants, due to additional grants being allocated to the Municipality. The expenditure was placed under pressure due to unforeseen Repairs and Maintenance and General Expenditure being incurred and the Finance Cost on Finance Leases not being budgeted for.

Variance from 2016 budget:

The Municipality generated significantly higher Income from Grants, due to additional grants being allocated to the Municipality.

3.2 Housing Services:

Housing Services are services rendered by the Municipality to supply housing to the community and includes the rental of units owned by the Municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual/ Budgeted %
Income	1 000 000	1 030 000	(2.91)%	970 000	100.00%
Expenditure	(2 508 441)	(3 027 126)	(17.13)%	(2 571 200)	(2.44)%
Surplus / (Deficit)	(1 508 441)	(1 997 126)		(1 601 200)	
Surplus / (Deficit) as % of total income	(150.84)%	(193.90)%		(165.07)%	

Variance from 2015 actual:

Management still remains dedicated to cut unnecessary expenditure, which resulted in the decrease in the Housing Department.

Variance from 2016 budget:

The Municipality did not budget for Income to be generated by the this department.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS (continued)

3.3 Shared Services:

Shared Services are services rendered by the Municipality to other municipalities in the form of Internal Audit Services. Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual/ Budgeted %
Income	3 976 382	4 249 789	(6.43)%	4 899 000	(18.83)%
Expenditure	(943 991)	(1 712 509)	(44.88)%	(993 143)	(4.95)%
Surplus / (Deficit)	3 032 391	2 537 280		3 905 857	
Surplus / (Deficit) as % of total income	76.26%	59.70%		79.73%	

Variance from 2015 actual:

The movement in the Provision in Impairment is significantly lower than in previous financial years, as a number of Shared Service Debtors were recovered.

Variance from 2016 budget:

No material fluctuations were identified.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R1 105 241 (2015: R2 603 517). Full details of Assets are disclosed in Notes 6, 7, 8 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R1 105 241 was financed as follows:

DETAILS	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual/ Budgeted %
External Loans	-	1 511 000	(100.00)%	-	-
Grants and Subsidies	-	-	-	-	-
Own Funds (Accumulated Surplus)	1 105 241	1 092 517	1.16%	11 000	9947.65%
	1 105 241	2 603 517		11 000	

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2016	2015
Capital Replacement Reserve	-	-
External Loans	-	58.04%
Grants and Subsidies	-	-
Own Funds (Accumulated Surplus)	100.00%	41.96%
	100.00%	100.00%

Capital Assets are funded to a great extent from External Loans as the Municipality does not have the financial resources to finance certain required capital expenditure from its own funds.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2016	2015
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(1 685 000)	(7 942 000)
Revenue variances	(2 163 709)	(80 826)
Expenditure variances:		
Employee Related Costs	(1 477 405)	309 606
Remuneration of Councillors	(1 252)	88
Depreciation and Amortisation	214 146	521
Impairment Losses	(123 327)	521 454
Repairs and Maintenance	(40 067)	129 209
Finance Costs	(849 280)	250 555
Contracted Services	1 010 700	1 068 070
Grants and Subsidies Paid	(5 950 023)	(813 287)
General Expenses	12 376 884	2 496 774
Loss on Disposal of Property, Plant and Equipment	(717 870)	(319 615)
Actual surplus before appropriations	593 798	(4 379 450)

DETAILS	2016	2015
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(1 685 000)	(7 940 000)
Administration	364 615	49 178
Finance	2 118 701	3 135 807
Development and Infrastructure	(22 083)	41 349
Environmental Health	(123 860)	111 780
Housing	92 759	96 874
Internal Audit	148 407	139 802
Council Expenses	(237 975)	(279 807)
Municipal Manager	45 700	68 443
I D P	1 020 234	875 626
Protection Services	(254 234)	(229 783)
Shared Services	(873 466)	(448 720)
Actual surplus before appropriations	593 798	(4 379 450)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL (continued)

5.2 Capital Budget:

DETAILS	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual/ Budgeted %
Finance and Administration	1 105 241	2 603 517	(57.55)%	11 000	9947.65%
	1 105 241	2 603 517		11 000	

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2016 amounted to R(11 062 312) (2015: R(11 656 109)) and is made up as follows:

Accumulated Surplus	(11 062 312)
	<u>(11 062 312)</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 23 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2016 was R861 949 (2015: R2 413 934).

No new loans (2015: R1 511 000) were taken up during the financial year to enable the Municipality to finance part of its capital requirements for the year.

Refer to Note 12 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R13 618 424 as at 30 June 2016 (2015: R13 670 447) and is made up as follows:

Ex-Gratia Benefit Liability	69 859
Post-retirement Health Care Benefits Liability	13 548 565
	<u>13 618 424</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 13 for more detail.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

9. CURRENT LIABILITIES

Current Liabilities amounted R9 901 368 as at 30 June 2016 (2015: R11 128 610) and is made up as follows:

Provisions	Note 9	1 180 404
Payables from Exchange Transactions	Note 10	4 822 890
Unspent Conditional Grants and Receipts	Note 11	1 580 591
VAT Payable	Note 3	805 005
Current Portion of Long-term Liabilities	Note 12	1 512 479
		<u>9 901 368</u>

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R11 712 603 as at 30 June 2016 (2015: R12 660 786).

Refer to Note 6 and Appendices "B, C and E (4)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R14 475 as at 30 June 2016 (2015: R37 374).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfill its duties as far as service delivery is concerned.

Refer to Note 7 and Appendix "B" for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R860 000 as at 30 June 2016 (2015: R1 953 700).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 8 and Appendix "B" for more detail.

13. CURRENT ASSETS

Current Assets amounted R722 492 as at 30 June 2016 (2015: R905 022) and is made up as follows:

Receivables from Exchange Transactions	Note 2	167 940
Cash and Cash Equivalents	Note 4	550 207
Operating Lease Assets	Note 5	4 346
		<u>722 492</u>

Refer to the indicated Notes for more detail.

14. INTER-GOVERNMENTAL GRANTS

The Municipality is dependent on financial aid from other government spheres to finance its annual capital programmed. Operating grants are utilized to finance the operations of the Municipality.

Refer to Notes 11 and 15, and Appendix "F" for more detail.

**PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016**

REPORT OF THE CHIEF FINANCIAL OFFICER

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 48.

16. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2016

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Note	2016 R	2015 R
ASSETS			
Current Assets		722 492	905 022
Receivables from Exchange Transactions	2	167 940	380 221
VAT Receivable	3	-	-
Cash and Cash Equivalents	4	550 207	524 801
Current Portion of Operating Lease Receivables	5	4 346	-
Non-Current Assets		12 596 941	14 651 860
Property, Plant and Equipment	6	11 712 603	12 660 786
Intangible Assets	7	14 475	37 374
Investment Property	8	860 000	1 953 700
Operating Lease Receivables	5	9 863	-
Total Assets		13 319 434	15 556 882
LIABILITIES			
Current Liabilities		9 901 368	11 128 610
Current Portion of Employee Benefit Liabilities	9	1 180 404	1 086 384
Payables from Exchange Transactions	10	4 822 890	6 538 317
Unspent Conditional Grants and Receipts	11	1 580 591	925 119
VAT Payable	3	805 005	1 455 320
Current Portion of Long-term Liabilities	12	1 512 478.75	1 123 470.00
Non-Current Liabilities		14 480 373	16 084 381
Long-term Liabilities	12	861 949.23	2 413 934.00
Employee Benefit Liabilities	13	13 618 424	13 670 447
Total Liabilities		24 381 741	27 212 991
Total Assets and Liabilities		(11 062 307)	(11 656 109)
NET ASSETS		(11 062 312)	(11 656 109)
Accumulated Surplus / (Deficit)	14	(11 062 312)	(11 656 109)
Total Net Assets		(11 062 312)	(11 656 109)



PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	2015 R
REVENUE			
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	15	46 519 539	37 578 893
Public Contributions and Donations	16	-	5 700
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	17	142 046	174 928
Interest Earned - External Investments	18	495 478	355 980
Other Revenue	19	3 506 227	3 418 673
Profit on Disposal of Property, Plant and Equipment	30	-	-
Total Revenue		50 663 291	41 534 174
EXPENDITURE			
Employee Related Costs	20	28 315 405	25 544 394
Remuneration of Councillors	21	3 727 252	3 542 912
Depreciation and Amortisation	22	2 034 854	2 248 479
Impairment Losses	23	123 327	868 546
Repairs and Maintenance	25	241 067	302 791
Finance Costs	26	1 031 280	1 248 445
Contracted Services	27	239 300	56 930
Grants and Subsidies Paid	28	5 950 023	1 353 287
General Expenses	29	7 689 116	9 933 226
Loss on Disposal of Investment Property	30	717 870	814 615
Total Expenditure		50 069 493	45 913 625
SURPLUS / (DEFICIT) FOR THE YEAR		593 798	(4 379 450)
Refer to Budget Statement for explanation of budget variances			



PIXLEY-KA-SEME DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
2015		
Balance at 1 July 2014	(6 337 372)	(6 337 372)
Correction of Error (Note 32)	(939 287)	(939 287)
Restated Balance	(7 276 659)	(7 276 659)
Surplus / (Deficit) for the year	(4 379 450)	(4 379 450)
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Balance at 30 June 2015	(11 656 109)	(11 656 109)
2016		
Restated Balance at 1 July 2015	(11 656 109)	(11 656 109)
Surplus / (Deficit) for the year	593 798	593 798
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Balance at 30 June 2016	(11 062 312)	(11 062 312)

Details on the movement of the Funds and Reserves are set out in Note 14.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

		Actual	
	Note	2016 R	2015 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Government Grant and Subsidies		47 175 011	37 672 711
Public Contributions and Donations		-	4 300
Interest Received		495 478	355 979
Other Receipts		3 123 530	4 406 495
Payments			
Employee Related Costs		(28 027 775)	(26 366 990)
Remuneration of Councillors		(3 727 252)	(3 542 912)
Interest Paid		(1 031 280)	(1 248 445)
Suppliers Paid		(13 523 846)	(13 107 644)
Other Payments		(2 607 544)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	34	1 876 322	(1 826 506)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	6	(1 105 241)	(2 603 517)
Proceeds on Disposal of Investment Property	30	417 300	628 173
NET CASH FLOWS FROM INVESTING ACTIVITIES		(687 941)	(1 975 344)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	12	-	1 511 000
Repayment of Borrowings	12	(1 162 976)	(768 223)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1 162 976)	742 777
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		25 405	(3 059 073)
Cash and Cash Equivalents at Beginning of Period	4	524 802	3 583 875
Cash and Cash Equivalents at End of Period	4	550 207	524 802



PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Receivables from Exchange Transactions	-	2 140 099	2 140 099	-	-	2 140 099	167 940	-	(1 972 159)	(92.15)%	(100.00)%
VAT Receivable	-	-	-	-	-	-	-	-	-	-	-
Cash and Cash Equivalents	944 000	97 901	1 041 901	-	-	1 041 901	550 207	-	(491 694)	(47.19)%	(41.72)%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	4 346	-	4 346	100.00%	100.00%
Non-Current Assets											
Property, Plant and Equipment	13 172 998	(2 238 000)	10 934 998	-	-	10 934 998	11 712 603	-	777 605	7.11%	(11.09)%
Intangible Assets	48 000	-	48 000	-	-	48 000	14 475	-	(33 525)	(69.84)%	(69.84)%
Investment Property	-	-	-	-	-	-	860 000	-	860 000	100.00%	100.00%
Operating Lease Receivables	-	-	-	-	-	-	9 863	-	9 863	100.00%	100.00%
Total Assets	14 164 998	-	14 164 998	-	-	14 164 998	13 319 434	-	(845 564)		
Current Liabilities											
Current Portion of Employee Benefit Liabilities	1 223 132	-	1 223 132	-	-	1 223 132	1 180 404	-	(42 728)	(3.49)%	(3.49)%
Payables from Exchange Transactions	1 586 000	-	1 586 000	-	-	1 586 000	4 822 890	-	3 236 890	204.09%	204.09%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	1 580 591	-	1 580 591	100.00%	100.00%
VAT Payable	-	-	-	-	-	-	805 005	-	805 005	100.00%	100.00%
Current Portion of Long-term Liabilities	-	-	-	-	-	-	1 512 479	-	1 512 479	100.00%	100.00%
Non-Current Liabilities											
Long-term Liabilities	1 264 866	-	1 264 866	-	-	1 264 866	861 949	-	(402 917)	(31.85)%	(31.85)%
Retirement Benefit Liabilities	-	-	-	-	-	-	13 618 424	-	13 618 424	100.00%	100.00%
Total Liabilities	4 073 998	-	4 073 998	-	-	4 073 998	24 381 741	-	20 307 743		
Total Assets and Liabilities	10 091 000	-	10 091 000	-	-	10 091 000	(11 062 312)	-	(21 153 308)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	10 091 000	-	10 091 000	-	-	10 091 000	(11 062 312)	-	(21 153 312)	(209.63)%	(209.63)%
Total Net Assets	10 091 000	-	10 091 000	-	-	10 091 000	(11 062 312)	-	(21 153 312)		
Financial Position: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:											
Receivables from Exchange Transactions:											
The Municipality budgeted for all Receivables to be recovered during the year. This actual outcome did not support management's plans as certain Shared Service Debtors cannot meet their financial responsibilities.											
Cash and Cash Equivalents:											
During the current year a VAT audit was concluded, resulting in the Municipality being assessed for outstanding VAT. This balance is being repaid and a number of VAT Receivable amounts have been withheld by SARS placing pressure on the Cash and Cash Equivalents balance at yearend.											
Operating Lease Assets:											
At the previous yearend, a number of rental contracts were not yet concluded and the Operating Lease Asset balance at yearend was R0. These contracts were however concluded in the current year, resulting in an Operating Lease Asset being recognised.											
Intangible Assets:											
The decrease is due to the Amortisation Expense in the current year and the fact that no new Intangible Assets were purchased during the year.											
Investment Property:											
The Municipality is busy disposing of its Investment Property, and therefore no balance was budgeted for at yearend.											
Payables from Exchange Transactions:											
The material difference is attributed to the outstanding account of the Auditor-General, which has not been paid in full as budgeted for.											
Unspent Conditional Grants and Receipts:											
Although management attempts to employ all grant funds, certain conditions were not met resulting in the funds not being recognised as revenue.											
VAT Payable:											
During the current year a VAT audit was concluded, resulting in the Municipality being assessed for outstanding VAT. This balance is being repaid and a number of VAT Receivable amounts have been withheld by SARS.											
Long-term Liabilities:											
The under-budgeted balance is due to the Finance Lease entered into in the previous financial year.											
Retirement Benefit Liabilities:											
The Municipality did not budget for the Retirement Benefit Liability.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	41 857 000	4 470 000	46 327 000	-	-	46 327 000	46 519 539	-	192 539	0.42%	11.14%
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	-	80 000	80 000	-	-	80 000	142 046	-	62 046	77.56%	(30.71)%
Interest Earned - External Investments	205 000	200 000	405 000	-	-	405 000	495 478	-	90 478	22.34%	(89.51)%
Other Income	4 722 875	1 292 125	6 015 000	-	-	6 015 000	3 506 227	-	(2 508 773)	(41.71)%	(100.00)%
Total Revenue	46 784 875	6 042 125	52 827 000	-	-	52 827 000	50 663 291	-	(2 163 709)		
Expenditure											
Employee Related Costs	28 138 000	(1 300 000)	26 838 000	-	-	26 838 000	28 315 405	-	1 477 405	5.50%	0.63%
Remuneration of Councillors	3 816 000	(90 000)	3 726 000	-	-	3 726 000	3 727 252	-	1 252	0.03%	(2.33)%
Depreciation and Amortisation	2 000 000	249 000	2 249 000	-	-	2 249 000	2 034 854	-	(214 146)	(9.52)%	1.74%
Impairment Losses	-	-	-	-	-	-	123 327	-	123 327	100.00%	100.00%
Repairs and Maintenance	280 000	(79 000)	201 000	-	-	201 000	241 067	-	40 067	19.93%	(13.90)%
Finance Costs	162 000	20 000	182 000	-	-	182 000	1 031 280	-	849 280	466.64%	536.59%
Contracted Services	625 000	625 000	1 250 000	-	-	1 250 000	239 300	-	(1 010 700)	(80.86)%	(61.71)%
Grants and Subsidies Paid	-	-	-	-	-	-	5 950 023	-	5 950 023	100.00%	100.00%
General Expenses	15 039 000	5 027 000	20 066 000	-	-	20 066 000	7 689 116	-	(12 376 884)	(61.68)%	(48.87)%
Loss on Disposal of Investment Property	-	-	-	-	-	-	717 870	-	717 870	100.00%	100.00%
Total Expenditure	50 060 000	4 452 000	54 512 000	-	-	54 512 000	50 069 493	-	(4 442 507)		
Surplus/(Deficit)	(3 275 125)	1 590 125	(1 685 000)	-	-	(1 685 000)	593 798	-	2 278 798	(135.24)%	(118.13)%
Surplus/(Deficit for the Year)	(3 275 125)	1 590 125	(1 685 000)	-	-	(1 685 000)	593 798	-	2 278 798		
Financial Performance: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:											
Rental of Facilities and Equipment:											
The Municipality is busy disposing of its Investment Property, and therefore no balance was budgeted for at yearend. As all property was not sold, the Municipality generated Rental Income during the year.											
Interest Earned - External Investments:											
Although the Municipality had significant decrease in their Cash and Cash Equivalents, the funds were invested in Term and Call Deposits, which generated more income than budgeted for.											
Other Income:											
The Municipality is generating less income from their Shared Services due to other Municipalities experiencing financial difficulties.											
Impairment Losses:											
Based on historical information, the Municipality budgeted for impairment losses remaining at the same level. But, as Shared Services Debtors were recovered this expenditure decreased significantly.											
Repairs and Maintenance:											
Unforeseen Repairs and Maintenance expenditure occurred.											
Finance Costs:											
Finance cost on the Finance Leases resulted in the over expenditure.											
Contracted Services:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Contracted Services.											
Grants and Subsidies Paid:											
The Municipality received a number of Grants, which were not received in previous financial years and the funds were spent accordingly.											
General Expenses:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Contracted Services.											
Loss on Disposal of Investment Property:											
Unforeseen General Expenditure occurred.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Finance and Administration	-	11 000	11 000	-	-	11 000	1 105 241	-	1 094 241	9947.65%	100.00%
Total Capital Expenditure	-	11 000	11 000	-	-	11 000	1 105 241	-	1 094 241		
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Finance and Administration:											
A number of movable assets were acquired during the year, which the Municipality did not budget for.											

2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Grants	46 529 825	5 812 125	52 341 950	-	-	52 341 950	47 175 011	-	(5 166 939)	(9.87)%	1.39%
Interest Received	205 000	200 000	405 000	-	-	405 000	495 478	-	90 478	22.34%	141.70%
Other Receipts	-	-	-	-	-	-	3 123 530	-	3 123 530	100.00%	100.00%
Employee Related Costs	(28 138 000)	1 300 000	(26 838 000)	-	-	(26 838 000)	(28 027 775)	-	(1 189 775)	4.43%	(0.39)%
Remuneration of Councillors	(3 816 000)	90 000	(3 726 000)	-	-	(3 726 000)	(3 727 252)	-	(1 252)	0.03%	(2.33)%
Interest Paid	(160 000)	(20 000)	(180 000)	-	-	(180 000)	(1 031 280)	-	(851 280)	472.93%	544.55%
Suppliers Paid	(15 943 640)	(4 901 860)	(20 845 500)	-	-	(20 845 500)	(13 523 846)	-	7 321 654	(35.12)%	(15.18)%
Other Payments	-	-	-	-	-	-	(2 607 544)	-	(2 607 544)	(100.00)%	(100.00)%
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	-	(11 000)	(11 000)	-	-	(11 000)	(1 105 241)	-	(1 094 241)	9947.65%	#DIV/0!
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	417 300	-	417 300	100.00%	100.00%
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	-	-	-	-	-
Loans repaid	(629 000)	-	(629 000)	-	-	(629 000)	(1 162 976)	-	(533 976)	84.89%	84.89%
Cash and Cash Equivalents at End of the Year	(1 951 815)	2 469 265	517 450	-	-	517 450	25 405	-	(492 045)		
Cash Flow: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
Interest Received:											
Although the Municipality had significant decrease in their Cash and Cash Equivalents, the funds were invested in Term and Call Deposits, which generated more income than budgeted for.											
Interest Paid:											
Finance cost on the Finance Leases resulted in the over expenditure.											
Suppliers Paid:											
Unforeseen Repairs and Maintenance and General Expenditure occurred.											
Purchase of Property, Plant and Equipment:											
A number of movable assets were acquired during the year, which the Municipality did not budget for.											
Proceeds on Disposal of Property, Plant and Equipment:											
The Municipality is busy disposing of its Investment Property and as the potential proceeds were uncertain, none were budgeted for.											
Loans repaid:											
The under-budgeted balance is due to the Finance Lease entered into in the previous financial year.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Receivables from Exchange Transactions	537 000	(537 000)	-	-	-	-	380 221	-	380 221	#DIV/0!	(29.20)%
VAT Receivable	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Cash and Cash Equivalents	8 528 000	2 882 000	11 410 000	-	-	11 410 000	524 801	-	(10 885 199)	(95.40)%	(93.85)%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Non-Current Assets											
Property, Plant and Equipment	12 193 000	355 000	12 548 000	-	-	12 548 000	12 660 786	-	112 786	0.90%	3.84%
Intangible Assets	48 000	-	48 000	-	-	48 000	37 374	-	(10 626)	(22.14)%	(22.14)%
Investment Property	-	-	-	-	-	-	1 953 700	-	1 953 700	#DIV/0!	#DIV/0!
Operating Lease Receivables	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Assets	21 306 000	2 700 000	24 006 000	-	-	24 006 000	15 556 882	-	(8 449 118)		
Current Liabilities											
Current Portion of Employee Benefit Liabilities	1 223 000	-	1 223 000	-	-	1 223 000	1 086 384	-	(136 616)	(11.17)%	(11.17)%
Payables from Exchange Transactions	3 869 000	(1 000 000)	2 869 000	-	-	2 869 000	6 538 317	-	3 669 317	127.90%	68.99%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	925 119	-	925 119	#DIV/0!	#DIV/0!
VAT Payable	-	-	-	-	-	-	1 455 320	-	1 455 320	#DIV/0!	#DIV/0!
Current Portion of Long-term Liabilities	629 000	-	629 000	-	-	629 000	1 123 470	-	494 470	78.61%	78.61%
Non-Current Liabilities											
Long-term Liabilities	1 266 000	-	1 266 000	-	-	1 266 000	2 413 934	-	1 147 934	90.67%	90.67%
Retirement Benefit Liabilities	16 292 000	-	16 292 000	-	-	16 292 000	13 670 447	-	(2 621 553)	(16.09)%	(16.09)%
Total Liabilities	23 279 000	(1 000 000)	22 279 000	-	-	22 279 000	27 212 991	-	4 933 991		
Total Assets and Liabilities	(1 973 000)	3 700 000	1 727 000	-	-	1 727 000	(11 656 109)	-	(13 383 109)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	(1 973 000)	3 700 000	1 727 000	-	-	1 727 000	(11 656 109)	-	(13 383 109)	(774.93)%	490.78%
Total Net Assets	(1 973 000)	3 700 000	1 727 000	-	-	1 727 000	(11 656 109)	-	(13 383 109)		
Financial Position: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:											
Receivables from Exchange Transactions:											
The Municipality budgeted for all Receivables to be recovered during the year. This actual outcome did not support management's plans as certain debtors were only invoices at yearend and other cannot meet their responsibilities financially.											
VAT Receivable:											
At yearend, the Municipality had not received all VAT Refunds owed to them by SARS. These refunds are expected to realise during the 2016 financial year.											
Cash and Cash Equivalents:											
The significant decrease in the Cash and Cash Equivalents is due to the decrease in the Grant and Subsidies received during the year, as well as the finalisation of a number of projects.											
Intangible Assets:											
The decrease is due to the Amortisation Expense in the current year and the fact that no new Intangible Assets were purchased during the year.											
Investment Property:											
The Municipality has not budgeted for the Investment Property balance, resulting in the material difference.											
Current Portion of Employee Benefit Liabilities											
The Budgeted figure did not take into account any payments made during the year, resulting in the difference.											
Payables from Exchange Transactions:											
The material difference is attributed to the outstanding account of the Auditor-General, which has not been paid in full as budgeted for.											
Unspent Conditional Grants and Receipts:											
Although management attempts to employ all grant funds, certain conditions were not met resulting in the funds not being recognised as revenue.											
Long-term Liabilities:											
The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for.											
Retirement Benefit Liabilities:											
The Budgeted figure did not take into account any payments made during the year, resulting in the difference.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	35 816 000	700 000	36 516 000	-	-	36 516 000	37 578 893	-	1 062 893	2.91%	4.92%
Public Contributions and Donations	-	-	-	-	-	-	5 700	-	5 700	100.00%	100.00%
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	-	24 000	24 000	-	-	24 000	174 928	-	150 928	628.87%	100.00%
Interest Earned - External Investments	155 000	25 000	180 000	-	-	180 000	355 980	-	175 980	97.77%	129.66%
Other Income	3 855 000	1 040 000	4 895 000	-	-	4 895 000	3 418 673	-	(1 476 327)	(30.16)%	(11.32)%
Total Revenue	39 826 000	1 789 000	41 615 000	-	-	41 615 000	41 534 174	-	(80 826)		
Expenditure											
Employee Related Costs	25 754 000	100 000	25 854 000	-	-	25 854 000	25 544 394	-	(309 606)	(1.20)%	(0.81)%
Remuneration of Councillors	3 567 000	(24 000)	3 543 000	-	-	3 543 000	3 542 912	-	(88)	(0.00)%	(0.68)%
Depreciation and Amortisation	2 120 000	129 000	2 249 000	-	-	2 249 000	2 248 479	-	(521)	(0.02)%	6.06%
Impairment Losses	1 010 000	380 000	1 390 000	-	-	1 390 000	868 546	-	(521 454)	(37.51)%	(14.01)%
Repairs and Maintenance	346 000	86 000	432 000	-	-	432 000	302 791	-	(129 209)	(29.91)%	(12.49)%
Finance Costs	1 483 000	16 000	1 499 000	-	-	1 499 000	1 248 445	-	(250 555)	(16.71)%	(15.82)%
Contracted Services	1 225 000	(100 000)	1 125 000	-	-	1 125 000	56 930	-	(1 068 070)	(94.94)%	(95.35)%
Grants and Subsidies Paid	230 000	310 000	540 000	-	-	540 000	1 353 287	-	813 287	150.61%	488.39%
General Expenses	9 563 000	2 867 000	12 430 000	-	-	12 430 000	9 933 226	-	(2 496 774)	(20.09)%	3.87%
Loss on Disposal of Investment Property	-	495 000	495 000	-	-	495 000	814 615	-	319 615	64.57%	100.00%
Total Expenditure	45 298 000	4 259 000	49 557 000	-	-	49 557 000	45 913 625	-	(3 643 376)		
Surplus/(Deficit)	(5 472 000)	(2 470 000)	(7 942 000)	-	-	(7 942 000)	(4 379 450)	-	3 562 550	(44.86)%	(19.97)%
Surplus/(Deficit for the Year)	(5 472 000)	(2 470 000)	(7 942 000)	-	-	(7 942 000)	(4 379 450)	-	3 562 550		
Financial Performance: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:											
Public Contributions and Donations											
The Municipality receive Dontaions amounting to R4 300. These were not budgeted for as these were unplanned sponsorships.											
Rental of Facilities and Equipment:											
A number of lease contracts were not valid and the Municipality did not budget to generate any revenue from these. However, the leasees still occupied the buildings and they were charged rental income on a month-to-month basis.											
Interest Earned - External Investments:											
Although the Municipality had significant decrease in their Cash and Cash Equivalents, the funds were invested in Term and Call Deposits, which generated more income than budgeted for.											
Other Income:											
No specific reason exists for the unbudgeted decrease.											
Impairment Losses:											
The variance is attributed to a number of Shared Service Debtors that cannot meet their financial responsibilities and were subsequently provided for as potential bad debt.											
Repairs and Maintenance:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Repairs and Maintenance.											
Finance Costs:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Finance Costs.											
Contracted Services:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Contracted Services.											
Grants and Subsidies Paid:											
The increase in the 2015 Expenditure is attributed to R648 067 incurred on a Housing Implementation Plan, which did not occur in the previous financial year.											
General Expenses:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on General Expenses.											
Loss on Disposal of Investment Property:											
The Municipality sold a number of items during the year and was unfortunately not able to generate the budgeted proceeds from these sales.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Finance and Administration	364 000	511 000	875 000	-	-	875 000	2 603 517	-	1 728 517	197.54%	615.25%
Total Capital Expenditure	364 000	511 000	875 000	-	-	875 000	2 603 517	-	1 728 517		
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Finance and Administration:											
The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for.											

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Grants	46 529 825	5 812 125	52 341 950	-	-	52 341 950	37 672 711	-	(14 669 239)	(28.03)%	(19.04)%
Public Contributions and Donations	-	-	-	-	-	-	4 300	-	4 300	#DIV/0!	#DIV/0!
Interest Received	4 927 825	1 492 125	6 419 950	-	-	6 419 950	355 979	-	(6 063 971)	(94.46)%	(92.78)%
Other Receipts	205 000	(249 000)	(44 000)	-	-	(44 000)	4 406 495	-	4 450 495	(10114.76)%	2049.51%
Employee Related Costs	(31 954 146)	1 389 795	(30 564 351)	-	-	(30 564 351)	(26 366 990)	-	4 197 361	(13.73)%	(17.48)%
Remuneration of Councillors	-	-	-	-	-	-	(3 542 912)	-	(3 542 912)	100.00%	100.00%
Interest Paid	(160 000)	(20 000)	(180 000)	-	-	(180 000)	(1 248 445)	-	(1 068 445)	593.58%	680.28%
Suppliers Paid	-	-	-	-	-	-	(13 107 644)	-	(13 107 644)	100.00%	100.00%
Other Payments	(15 943 640)	(4 901 860)	(20 845 500)	-	-	(20 845 500)	-	-	20 845 500	(100.00)%	(100.00)%
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	-	(11 000)	(11 000)	-	-	(11 000)	(2 603 517)	-	(2 592 517)	23568.34%	#DIV/0!
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	628 173	-	628 173	#DIV/0!	#DIV/0!
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	1 511 000	-	1 511 000	100.00%	100.00%
Loans repaid	(629 000)	-	(629 000)	-	-	(629 000)	(768 223)	-	(139 223)	22.13%	22.13%
Cash and Cash Equivalents at End of the Year	2 975 864	3 512 185	6 488 049	-	-	6 488 049	(3 059 073)	-	(9 547 122)		
Cash Flow: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
Interest Received											
Although the Municipality had significant decrease in their Cash and Cash Equivalents, the funds were invested in Term and Call Deposits, which generated more income than budgeted for.											
Remuneration of Councillors											
This was included in the Employee Related Costs.											
Interest Paid											
The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for. This resulted in the material variance between the budgeted and actual finance cost paid.											
Suppliers Paid											
This was included in the Other Costs.											
Purchase of Property, Plant and Equipment:											
The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for.											
Proceeds on Disposal of Property, Plant and Equipment:											
The Municipality sold a number of items during the year and was unfortunately not able to generate the budgeted proceeds from these sales.											
New Loans raised:											
The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for.											
Loans repaid:											
Due to the aforementioned finance leases incurred, the actual repayments for the year exceed the budgeted figure.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2016	2015
	R	R
Net Surplus/(Deficit) per the Statement of Financial Performance	593 798	(4 379 450)
Revenue from Non-exchange Transactions		
Government Grants and Subsidies Received	(192 539)	(1 062 893)
Public Contributions and Donations	-	(5 700)
Revenue from Exchange Transactions		
Rental of Facilities and Equipment	(62 046)	(150 928)
Interest Earned - External Investments	(90 478)	(175 980)
Other Revenue	2 508 773	1 476 327
Expenditure		
Employee Related Costs	1 477 405	(309 606)
Remuneration of Councillors	1 252	(88)
Depreciation and Amortisation	(214 146)	(521)
Impairment Losses	123 327	(521 454)
Repairs and Maintenance	40 067	(129 209)
Finance Costs	849 280	(250 555)
Contracted Services	(1 010 700)	(1 068 070)
Grants and Subsidies Paid	5 950 023	813 287
General Expenses	(12 376 884)	(2 496 774)
Loss on Disposal of Property, Plant and Equipment	717 870	319 615
Net Surplus/Deficit per Approved Budget	(1 685 000)	(7 942 000)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes In Accounting Policy And Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2016 and 30 June 2015, the Municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The Municipality changes an Accounting Policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations And Assumptions

In the application of the Municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 8.2 on Revenue from Exchange Transactions and Accounting Policy 8.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 7.1 on Financial Assets Classification and Accounting Policy 7.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the Municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION (continued)

1.2.3 Impairment of Financial Assets

Accounting Policy 7.4 on Impairment of Financial Assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions is disclosed in note 2 to the AFS.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2 the Municipality depreciates its property, plant and equipment and investment property, and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write down of Property, Plant and Equipment, Investment Property and Intangible Assets

Accounting Policy 6 on Impairment of assets describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the Municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing and Intangible assets impairment testing.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 6 to the AFS, whilst no impairments were made to intangible assets.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 10, the Municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the Municipality that were identified are Post-retirement Health Benefit Obligations. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 13 to the Annual Financial Statements.

1.2.8 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION (continued)

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 20 Related Party Disclosures (Revised)
GRAP 32 Service Concession Arrangement Grantor
GRAP 105 Transfers between entities under common control - issued November 2010
GRAP 106 Transfers between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010
GRAP 108 Statutory Receivables

The Minister of Finance announced that the application of GRAP 25 for period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the Municipality.

2. NETT ASSETS

Included in the nett assets of the Municipality, are the following reserves that are maintained in terms of specific requirements:

2.1 Accumulated Surplus

The Municipality creates and maintains reserves which form part of the Accumulated Surplus in terms of specific requirements.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years
Buildings	30 - 100
Other	
Specialist Vehicles	5 - 20
Other Vehicles	5 - 10
Office Equipment	3 - 7
Furniture and Fittings	7 - 10

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term.

3.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3.7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

4. INTANGIBLE ASSETS (continued)

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in the Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in the Statement of Financial Performance.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	3

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, as per Accounting Policy 8: *Impairment of assets*. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The Municipality changed its accounting policy from GRAP 102 to GRAP 31 with no effect on the financial information disclosed previously.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the Municipality);
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties; and
- Property that is being constructed or developed for future use as investment property;

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

5.3 Derecognition

An investment property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

6.1 Impairment of Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

6.2 Impairment of Non-Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
(i) to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

7. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The Municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

7. FINANCIAL INSTRUMENTS (continued)

7.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Bank Balances and Cash	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

7.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The Municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

7. FINANCIAL INSTRUMENTS (continued)

7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

7.3.2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

7.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

7. FINANCIAL INSTRUMENTS (continued)

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

7.5 Derecognition of Financial Assets

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

7.6 Derecognition of Financial Liabilities

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

8. GRANTS AND RECEIPTS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality, meet the definition and criteria for recognition of an asset.

A corresponding liability is recognised to the extent that the grant, transfer or donation recognised as an asset, is subject to conditions which require that the entity either consumes the future economic benefits or service potential of the asset as specified or that in the event that the conditions are breached the entity returns such future economic benefits or service potential to the transferor. The liability is transferred to revenue when the conditions attached to the grants, transfers or donations, are met. Grants, transfers or donations that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

9. REVENUE RECOGNITION

9.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions

9.2.1 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

9.2.2 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

9.2.3 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

9.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

9.3.1 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

9.3.2 Revenue From Recovery Of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

10. PROVISIONS

Provisions for legal claims are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

10. PROVISIONS (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

11. EMPLOYEE BENEFITS

11.1 Short-Term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The Municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

11.2 Post-Employment Benefits

The Municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

11.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

11.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

11.3 Post-Retirement Health Care Benefits:

The Municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11.4 Defined Benefit Pension Plans

The Municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

11. EMPLOYEE BENEFITS (continued)

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

12. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

12.1 The Municipality As Lessee

Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The Municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

12.2 The Municipality As Lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

12.3 Determining Whether An Arrangement Contains A Lease

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

13. BORROWING COSTS

The Municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The Municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

14. GRANTS-IN-AID

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

15. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 31 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 32 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

20. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

21. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

22. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

23. COMPARATIVE INFORMATION

23.1 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

23.2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2015 to 30 June 2016.

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

25. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

26. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the Statement of Financial Position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.

27. IN-KIND DONATIONS AND CONTRIBUTIONS

In-kind Donations and Contributions are recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably, except when specifically stated otherwise. In-kind Donations and Contributions are recognised at the fair value of the consideration received or receivable.

In the case of Donated Assets, the Donation is recognised at the fair value of the asset received.

28. PUBLIC PRIVATE PARTNERSHIPS

A PPP can generally be described as an agreement between a public sector entity (entity) and a private sector institution (private party). In terms of this the private party assumes some substantial financial, construction, technical and operational risks in the design, financing, building and operation of a project. It typically involves a private party that supplies an asset and/or services that previously were developed or provided by an entity. The private party provides a service to the public on behalf of the entity through the use of assets and/or the management of such an asset. In return, the private party is rewarded through payments from the entity. Such payments are based on service outputs delivered to specification, charges to users of such services, or a combination of these.

The definition of a PPP agreement in the MFMA identifies two broad categories of PPP agreements - one where the private party performs an institutional function on behalf of the entity, and the other where the private party acquires the use of state property for its own commercial purposes. The PPP agreement can also be a combination of these.

The Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) (GRAP 23) states that control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives, and can exclude or otherwise regulate the access of others to that benefit. GRAP 23 requires that the ability to exclude or regulate the access of others to the benefits of an asset is an essential element of control that distinguishes an entity's assets from those public goods that all entities have access to and from which they benefit.

Under the control approach, the Municipality uses the following criteria to determine whether it controls the use of the underlying asset in the PPP agreement:

- The Municipality controls or regulates what services the private party must provide with the associated asset, to whom it must provide them and at what price.
- The Municipality controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the agreement.

The control approach to assets that are developed, constructed, acquired or used in terms of PPP agreements. These assets are used by the private party to perform part of an entity's service delivery or administrative functions (institutional function).

The control approach is also applied to PPP agreements where the Municipality provides the private party with an existing asset, and the private party upgrades, operates and maintains the asset for a specified period of time. If the PPP agreement requires the private party to use its own asset, the Municipality only recognises the asset in its financial statements if both the control approach criteria are met.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2016
R

2015
R

1. GENERAL INFORMATION

Pixley-ka-Seme District Municipality (the Municipality) is a local government institution in De Aar, Northern Cape Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the Municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Other Receivables	1 735 504	(1 567 564)	167 940
Property Rental Debtors	-	-	-
Shared Services	1 453 140	(1 391 125)	62 015
Sundry Debtors	282 364	(176 439)	105 925
Total Receivables from Exchange Transactions	1 735 504	(1 567 564)	167 940

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Other Receivables	1 807 911	(1 427 690)	380 221
Property Rental Debtors	165 110	-	165 110
Shared Services	1 251 250	(1 251 250)	-
Sundry Debtors	391 551	(176 440)	215 111
Total Receivables from Exchange Transactions	1 807 911	(1 427 690)	380 221

Other Receivables include outstanding debtors for various other services, e.g. Shared Services, Medical Aid Receivables and Property Rental.

The average credit period for Receivables is 30 days. No interest is charged for outstanding debtors. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

2.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2016

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rental Debtors:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-
Shared Services:					
Gross Balances	-	62 015	-	1 391 125	1 453 140
Less: Provision for Impairment	-	-	-	(1 391 125)	(1 391 125)
Net Balances	-	62 015	-	-	62 015
Sundry Debtors:					
Gross Balances	103 332	85	85	178 862	282 364
Less: Provision for Impairment	-	-	-	(176 439)	(176 439)
Net Balances	103 332	85	85	2 423	105 925

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2016
R **2015**
R

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

As at 30 June Receivables of R64 608 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	62 100	85	1 569 987	1 632 172
Less: Provision for Impairment	-	-	(1 567 564)	(1 567 564)
Net Balances	62 100	85	2 423	64 608

As at 30 June 2015

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rental Debtors:					
Gross Balances	162 950	-	2 160	-	165 110
Less: Provision for Impairment	-	-	-	-	-
Net Balances	162 950	-	2 160	-	165 110
Shared Services:					
Gross Balances	-	-	-	1 251 250	1 251 250
Less: Provision for Impairment	-	-	-	(1 251 250)	(1 251 250)
Net Balances	-	-	-	-	-
Sundry Debtors:					
Gross Balances	206 681	1 126	1 126	182 618	391 551
Less: Provision for Impairment	-	-	-	(176 440)	(176 440)
Net Balances	206 681	1 126	1 126	6 178	215 111

As at 30 June Receivables of R246 840 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	1 126	3 286	1 433 868	1 438 280
Less: Provision for Impairment	-	-	(1 427 690)	(1 427 690)
Net Balances	1 126	3 286	6 178	10 590

2.2 Reconciliation of Provision for Impairment

Balance at beginning of year	(1 427 690)	(460 744)
Impairment Losses recognised	(446 125)	(966 946)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	306 250	-
Amounts recovered	-	-
Balance at end of year	(1 567 565)	(1 427 690)

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of the Receivables from Exchange Transactions, the Municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

2.3 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2016 R	2015 R
3. VAT RECEIVABLE (PAYABLE)		
VAT Receivable (Payable)	<u><u>(805 005)</u></u>	<u><u>(1 455 320)</u></u>
VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.		
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.		
Refer to Note 32.1 for the adjustment made in respect to the corresponding balance.		
4. CASH AND CASH EQUIVALENTS		
Current Investments	452 542	276 716
Bank Accounts	97 665	248 085
Bank Overdraft	-	-
Total Bank, Cash and Cash Equivalents	<u><u>550 207</u></u>	<u><u>524 801</u></u>
For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.		
4.1 Current Investment Deposits		
Term Deposits	43 152	41 708
Call Deposits	409 390	235 008
Total Current Investment Deposits	<u><u>452 542</u></u>	<u><u>276 716</u></u>
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10% to 5.75% (2015: 5.10% to 5.75%) per annum.		
Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5.54% to 5.68% (2015: 5.54% to 5.68%) per annum.		
Deposits attributable to Unspent Conditional Grants	-	-
Total Deposits attributable to Commitments of the Municipality	<u><u>-</u></u>	<u><u>-</u></u>
Deposits of R925 118 (2014: R831 302) are ring-fenced and attributable to Unspent Conditional Grants.		
4.2 Bank Accounts		
Cash in Bank	97 665	248 085
Bank Overdraft	-	-
Total Bank Accounts	<u><u>97 665</u></u>	<u><u>248 085</u></u>
The Municipality has the following bank accounts:		
Primary Bank Account		
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0197</i>		
Cash book balance at beginning of year	248 085	313 244
Cash book balance at end of year	<u><u>97 665</u></u>	<u><u>248 085</u></u>
Bank statement balance at beginning of year	248 319	313 444
Bank statement balance at end of year	<u><u>97 665</u></u>	<u><u>248 319</u></u>
Term Deposits		
<i>ABSA Bank Limited - De Aar Branch - Term Deposit Number 605 438 4570</i>		
Cash book balance at beginning of year	41 708	459 393
Cash book balance at end of year	<u><u>43 152</u></u>	<u><u>41 708</u></u>
Bank statement balance at beginning of year	41 708	459 393
Bank statement balance at end of year	<u><u>43 152</u></u>	<u><u>41 708</u></u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2016 R	2015 R
4. CASH AND CASH EQUIVALENTS (continued)		
Call Deposits		
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 912 285 3831</i>		
Cash book balance at beginning of year	-	9 669
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	9 669
Bank statement balance at end of year	-	-
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 926 938 9573</i>		
Cash book balance at beginning of year	-	206 740
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	206 740
Bank statement balance at end of year	-	-
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 463 4894</i>		
Cash book balance at beginning of year	6 545	1 402
Cash book balance at end of year	5 376	6 545
Bank statement balance at beginning of year	6 545	1 402
Bank statement balance at end of year	5 376	6 545
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 912 355 2505</i>		
Cash book balance at beginning of year	1 851	2 333 195
Cash book balance at end of year	389 502	1 851
Bank statement balance at beginning of year	1 851	2 333 195
Bank statement balance at end of year	389 502	1 851
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 538 6731</i>		
Cash book balance at beginning of year	1 055	1 489
Cash book balance at end of year	-	1 055
Bank statement balance at beginning of year	1 055	1 489
Bank statement balance at end of year	-	1 055
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 638 8425</i>		
Cash book balance at beginning of year	1 034	1 298
Cash book balance at end of year	(1)	1 034
Bank statement balance at beginning of year	1 034	1 298
Bank statement balance at end of year	(1)	1 034
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 498 2487</i>		
Cash book balance at beginning of year	220 302	11 484
Cash book balance at end of year	8 292	220 302
Bank statement balance at beginning of year	220 302	11 484
Bank statement balance at end of year	8 292	220 302
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 930 121 9733</i>		
Cash book balance at beginning of year	1 053	-
Cash book balance at end of year	1 004	1 053
Bank statement balance at beginning of year	1 053	-
Bank statement balance at end of year	1 004	1 053
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 928 495 2305</i>		
Cash book balance at beginning of year	-	8 755
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	8 755
Bank statement balance at end of year	-	-

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2016 R	2015 R
4. CASH AND CASH EQUIVALENTS (continued)		
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 928 451 0400</i>		
Cash book balance at beginning of year	-	42 712
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	42 712
Bank statement balance at end of year	-	-
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 624 8065</i>		
Cash book balance at beginning of year	1 961	193 399
Cash book balance at end of year	1 808	1 961
Bank statement balance at beginning of year	1 961	193 399
Bank statement balance at end of year	1 808	1 961
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 928 888 5566</i>		
Cash book balance at beginning of year	-	1 096
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	1 096
Bank statement balance at end of year	-	-
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 929 8348 243</i>		
Cash book balance at beginning of year	1 207	-
Cash book balance at end of year	3 408	1 207
Bank statement balance at beginning of year	1 207	-
Bank statement balance at end of year	3 408	1 207

4.3 Cash and Cash Equivalents

Cash Floats and Advances	-	-
Total Cash on hand in Cash Floats, Advances and Equivalents	-	-

The Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the Municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

5. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	-	699
Operating Lease Revenue recorded	14 209	-
Operating Lease Revenue effected	-	(699)
Total Operating Lease Receivables	14 209	-
Less: Amounts due for settlement within 12 months (Current Portion)	(4 346)	-
Total Operating Lease Receivables	9 863	-

5.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the Municipality with lease terms of between 2 to 5 (2015: 2 to 5) years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2016 R	2015 R
5. OPERATING LEASE RECEIVABLES (continued)		
5.2 Amounts receivable under Operating Leases		
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:		
Up to 1 year	4 346	-
2 to 5 years	9 863	-
More than 5 years	-	-
Total Operating Lease Arrangements	14 209	-
The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R14 209 (2015: decrease of R699) in current year income.		
The following payments have been recognised for Rental Income and Repairs and Maintenance Expense in the Statement of Financial Performance:		
Rental Income	111 234	33 064
Repairs and Maintenance	-	-
The following restrictions have been imposed by the municipality in terms of the lease agreements:		
(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.		
(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.		
(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT

30 June 2016

Reconciliation of Carrying Value

Description	Land and Buildings	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets
	R	R	R	R	R	R
Carrying values at 1 July 2015	9 397 304	303 763	525 759	235 254	1 031 706	1 167 000
Cost	15 219 161	981 315	1 899 429	983 864	1 517 956	1 894 010
- Completed Assets	15 219 161	981 315	1 899 429	983 864	1 517 956	1 894 010
- Under Construction	-	-	-	-	-	-
Accumulated Impairment Losses	-	(872)	(3)	(2 843)	-	-
Accumulated Depreciation	(5 821 857)	(676 680)	(1 373 667)	(745 767)	(486 250)	(727 010)
Acquisitions	-	163 262	1 754	69 633	870 592	-
Depreciation	(916 425)	(84 393)	(84 683)	(55 827)	(89 341)	(781 285)
Carrying value of Disposals	(41 470)	-	-	-	-	-
- Cost	(120 200)	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	78 730	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Carrying values at 30 June 2016	8 439 409	382 632	442 830	249 060	1 812 957	385 715
Cost	15 098 961	1 144 577	1 901 183	1 053 497	2 388 548	1 894 010
- Completed Assets	15 098 961	1 144 577	1 901 183	1 053 497	2 388 548	1 894 010
- Under Construction	-	-	-	-	-	-
Accumulated Impairment Losses	-	(872)	(3)	(2 843)	-	-
Accumulated Depreciation:	(6 659 552)	(761 073)	(1 458 350)	(801 594)	(575 591)	(1 508 295)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

30 June 2015

Reconciliation of Carrying Value

Description	Land and Buildings	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets
	R	R	R	R	R	R
Carrying values at 1 July 2014	9 759 539	404 294	705 582	301 821	1 246 800	623 201
Cost	14 713 108	1 249 532	2 038 147	1 040 359	1 816 880	2 384 693
- Completed Assets	13 922 266	1 249 532	2 038 147	1 040 359	1 816 880	2 384 693
- Under Construction	790 842	-	-	-	-	-
Accumulated Impairment Losses	-	(5 030)	(5 606)	(4 840)	-	-
Accumulated Depreciation	(4 953 569)	(840 208)	(1 326 959)	(733 698)	(570 080)	(1 761 492)
Acquisitions	616 053	92 597	15 781	14 231	353 855	1 511 000
Donated Asset	-	-	-	1 400	-	-
Depreciation	(868 288)	(152 293)	(173 286)	(70 702)	(118 355)	(842 656)
Carrying value of Disposals	(110 000)	(40 835)	(22 318)	(11 496)	(450 594)	(124 545)
- Cost	(110 000)	(360 814)	(154 499)	(72 126)	(652 779)	(2 001 683)
- Accumulated Impairment Losses	-	4 158	5 603	1 997	-	-
- Accumulated Depreciation	-	315 821	126 578	58 633	202 185	1 877 138
Impairment Losses	-	-	-	-	-	-
Carrying values at 30 June 2015	9 397 304	303 763	525 759	235 254	1 031 706	1 167 000
Cost	15 219 161	981 315	1 899 429	983 864	1 517 956	1 894 010
- Completed Assets	15 219 161	981 315	1 899 429	983 864	1 517 956	1 894 010
- Under Construction	-	-	-	-	-	-
Accumulated Impairment Losses	-	(872)	(3)	(2 843)	-	-
Accumulated Depreciation:	(5 821 857)	(676 680)	(1 373 667)	(745 767)	(486 250)	(727 010)

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Total
R
12 660 786
22 495 735
22 495 735
-
(3 718)
(9 831 231)
1 105 241
(2 011 954)
(41 470)
(120 200)
-
78 730
-
11 712 603
23 480 776
23 480 776
-
(3 718)
(11 764 455)

Total
R
13 041 237
23 242 719
22 451 877
790 842
(15 476)
(10 186 006)
2 603 517
1 400
(2 225 580)
(759 788)
(3 351 901)
11 758
2 580 355
-
12 660 786
22 495 735
22 495 735
-
(3 718)
(9 831 231)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
6. PROPERTY, PLANT AND EQUIPMENT (Continued)		
6.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.		
6.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
6.3 Assets pledged as security		
The Municipality's obligations under Finance Leases (see Note 12) are secured by the lessors' title to the leased assets. No other assets of the Municipality have been pledged as security.		
6.4 Impairment of Property, Plant and Equipment		
No impairment losses have been recognised on Property, Plant and Equipment of the Municipality at the reporting date.		
6.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned asset categories for the financial year:		
Other Assets	(214 510)	(202 635)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(214 510)	(202 635)
The change in estimates will result in a decrease of R214 510 (2015: R202 635) in the Depreciation Expense for the Municipality over the next three financial years.		
6.6 Land and Buildings carried at Fair Value		
The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
7. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation	14 475	37 374
The movement in Intangible Assets is reconciled as follows:		
Carrying values at 1 July	37 374	60 273
Cost	397 692	397 692
Accumulated Amortisation	(360 318)	(337 419)
Acquisitions	-	-
Amortisation	(22 899)	(22 899)
Disposals	-	-
Carrying values at 30 June	14 475	37 374
Cost	397 692	397 692
Accumulated Amortisation	(383 217)	(360 318)
The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 22).		
All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.		
No restrictions apply to any of the Intangible Assets of the Municipality.		
Refer to Appendix "B" for more detail on Intangible Assets.		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

7.1 Intangible Assets with Indefinite Useful Lives

The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

7. INTANGIBLE ASSETS (continued)

7.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.

8. INVESTMENT PROPERTY

At Fair Value	860 000	1 953 700
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	1 953 700	2 636 700
Fair Value	1 953 700	2 636 700
Accumulated Impairment Losses	-	-
Acquisitions during the Year	-	-
Net Gains / (Losses) from Fair Value Adjustments	-	-
Impairment Losses during the Year	-	-
Disposals during the Year:	(1 093 700)	(683 000)
At Fair Value	(1 093 700)	(683 000)
At Accumulated Impairment	-	-
Carrying values at 30 June	860 000	1 953 700
Fair Value	860 000	1 953 700
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	860 000	1 953 700

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	142 046	174 928
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

All of the Municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the Municipality.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

8.1 Investment Property carried at Fair Value

The Municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

The following assumptions were used:

Discount Rate	7.80%	7.80%
Other		

8.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the Municipality at the reporting date.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
9. CURRENT PORTION OF EMPLOYEE BENEFIT LIABILITIES		
Current Portion of Ex-Gratia Benefit Liability (See Note 13)	23 400	23 400
Current Portion of Post-retirement Health Care Benefits Liability (See Note 13)	1 157 004	1 062 984
Total Current Portion of Employee Benefit Liabilities	1 180 404	1 086 384

The movement in provisions are reconciled as follows:

Current Portion of Employee Benefit Liabilities	Ex-Gratia R	Post-retirement R
2016		
Balance at beginning of year	23 400	1 062 984
Contributions to provision	-	94 020
Expenditure incurred	-	-
Balance at end of year	23 400	1 157 004
2015		
Balance at beginning of year	23 400	1 091 124
Contributions to provision	-	-
Expenditure incurred	-	(28 140)
Balance at end of year	23 400	1 062 984

10. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	879 002	283 342
Payments received in Advance	68 273	17 445
Retentions	-	-
Staff Bonuses	751 093	750 623
Advances from Road Department	240 750	240 750
Other Creditors	1 381 776	3 989 323
Accrued Leave	1 501 996	1 256 834
Settlement	-	-
Total Payables	4 822 890	6 538 317

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The Municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11.1 Conditional Grants from Government	1 580 591	925 119
Provincial Government Grants	1 275 029	924 071
Local Government Grants	305 562	1 048
11.2 Other Conditional Receipts	-	-
Public Contributions	-	-
Total Conditional Grants and Receipts	1 580 591	925 119

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

See Note 15 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

12. LONG-TERM LIABILITIES

Annuity Loans	1 262 494	1 891 878
Finance Lease Liabilities	1 111 934	1 645 526
Sub-total	<u>2 374 428</u>	<u>3 537 404</u>
Less: Current Portion transferred to Current Liabilities	(1 512 479)	(1 123 470)
Annuity Loans	(658 832)	(630 080)
Finance Lease Liabilities	(853 647)	(493 390)
Total Long-term Liabilities (Neither past due, nor impaired)	<u>861 949</u>	<u>2 413 934</u>

12.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 5 to 10 (2015: 5 to 10) years and at interest rates varying from 9.86% to 9.89% (2014: 9.86% to 9.89%) per annum. Annuity Loans are not secured.

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

12.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2015: 3 years). The effective interest rate on Finance Leases is between 2.16% and 7.93% (2015: 1.48% and 8.31%).

The Municipality has options to purchase the Property, Plant and Equipment for a nominal amount at the conclusion of the lease agreements. The Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2016 R	2015 R	2016 R	2015 R
The obligations under Finance Leases are as follows:				
Amounts payable under finance leases:				
Within one year	1 334 667	1 275 756	853 647	383 764
In the second to fifth years, inclusive	<u>285 847</u>	<u>1 345 314</u>	<u>258 288</u>	<u>878 466</u>
	1 620 514	2 621 070	1 111 934	1 262 230
Less: Future Finance Obligations	(508 580)	(1 358 840)	-	-
Present Value of Minimum Lease Obligations	<u>1 111 934</u>	<u>1 262 230</u>	1 111 934	1 262 230
Less: Amounts due for settlement within 12 months (Current Portion)			(853 647)	(493 390)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u>258 288</u>	<u>768 840</u>

The Municipality has finance lease agreements for the following significant classes of assets:

- IT equipment

Included in these classes are the following significant leases:

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
(i) IT Equipment	R 1 111 934	R 1 262 230
- Installments are payable quarterly in advance		
- Average period outstanding	12 months	24 months
- Average effective interest rate	4.81%	4.81%
- Average quarterly installment	R 116 890	R 74 371

12.3 Breach of Loan Agreement

The Municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the Municipality.

13. EMPLOYEE BENEFIT LIABILITIES

Ex-Gratia Benefit Liability	69 859	78 330
Post-retirement Health Care Benefits Liability	13 548 565	13 592 117
Total Employee Benefit Liabilities	13 618 424	13 670 447

13.1 Ex-Gratia Benefit Liability

Balance at beginning of Year	101 730	107 201
Increase due to Discounting	6 575	6 982
Expenditure incurred	(23 400)	(23 400)
Actuarial (Gains) /Losses	8 354	10 947
Balance at end of Year	93 259	101 730
Transfer to Current Provisions	(23 400)	(23 400)
Total Post-retirement Health Care Benefits Liability	69 859	78 330

The Municipality provides certain ex-gratia (pension) benefits by funding the pension fund contributions of qualifying retired members of the Municipality. According to the rules of the Pension Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such pension fund on retirement, in which case the Municipality is liable for a certain portion of the pension fund membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Ex-Gratia Benefit Plan are made up as follows:

Continuation Members (Retirees, widowers and orphans)	4	4
Total Members	4	4

The liability in respect of past service has been estimated as follows:

Continuation Members (Retirees, widowers and orphans)	93 259	101 730
Total Liability	93 259	101 730

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.37%	7.29%
Health Care Cost Inflation Rate	0.00%	0.00%
Net Effective Discount Rate	8.37%	7.29%
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	101 730	107 201
Interest cost	6 575	6 982
Benefits paid	(23 400)	(23 400)
Actuarial losses / (gains)	8 354	10 947
Total Recognised Benefit Liability	93 259	101 730
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	93 259	101 730
Total Benefit Liability	93 259	101 730
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	6 575	6 982
Expenditure incurred	(23 400)	(23 400)
Actuarial losses / (gains)	8 354	10 947
Total Post-retirement Benefit included in Employee Related Costs (Note 20)	(8 471)	(5 471)

13. EMPLOYEE BENEFIT LIABILITIES (continued)

The history of experienced adjustments is as follows:

	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	93 259	101 730	107 201	177 294
Deficit	93 259	101 730	107 201	177 294
Experienced adjustments on Plan Liabilities	93 259	90 782	163 085	177 294

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	7 214	7 647
Effect on the defined benefit obligation	90 560	98 525

Decrease:

Effect on the aggregate of the current service cost and the interest cost	5 886	6 262
Effect on the defined benefit obligation	96 130	105 154

Refer to Note 42 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally administered.

13.2 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	14 655 101	15 584 738
Contributions to Provision	373 682	437 078
Increase due to Discounting	1 176 744	1 280 559
Expenditure incurred	(1 108 125)	(1 091 125)
Actuarial (Gains) /Losses	(391 833)	(1 556 149)
Balance at end of Year	14 705 569	14 655 101
Transfer to Current Provisions	(1 157 004)	(1 062 984)
Total Long Service Awards Liability	13 548 565	13 592 117

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R **2015**
R

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	27	26
Continuation Members (Retirees, widowers and orphans)	30	31
Total Members	57	57

The liability in respect of past service has been estimated as follows:

In-service Members	4 125 960	4 288 786
Continuation Members	10 579 610	10 366 316
Total Liability	14 705 570	14 655 102

The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Hosmed
- Keyhealth
- LA Health
- Samwumed

13. EMPLOYEE BENEFIT LIABILITIES (continued)

The Current-service Cost for the year ending 30 June 2016 is estimated to be R373 682, whereas the cost for the ensuing year is estimated to be R357 443 (2015: R437 078 and R373 682 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.13%	8.33%
Health Care Cost Inflation Rate	8.27%	7.70%
Net Effective Discount Rate	0.80%	0.58%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	14 655 101	15 584 738
Current service costs	373 682	437 078
Interest cost	1 176 744	1 280 559
Benefits paid	(1 108 125)	(1 091 125)
Actuarial losses / (gains)	(391 833)	(1 556 149)

Total Recognised Benefit Liability	14 705 569	14 655 101
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	14 705 569	14 655 101
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Total Benefit Liability	14 705 569	14 655 101
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	373 682	437 078
Interest cost	1 176 744	1 280 559
Benefits paid	(1 108 125)	(1 091 125)
Actuarial losses / (gains)	(391 833)	(1 556 149)

Total Post-retirement Benefit included in Employee Related Costs (Note 20)	50 468	(929 637)
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The history of experienced adjustments is as follows:

	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	14 705 569	14 655 101	15 584 738	16 114 922
Deficit	14 705 569	14 655 101	15 584 738	16 114 922

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

			2016 R	2015 R
Experienced adjustments on Plan Liabilities	15 142 544	16 211 251	16 540 584	16 114 922

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	1 782 100	1 984 900
Effect on the defined benefit obligation	16 368 000	16 311 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	1 362 600	1 501 500
Effect on the defined benefit obligation	13 315 000	13 265 000

The Municipality expects to make a contribution of R1 157 004 (2015: R1 062 984) to the Defined Benefit Plans during the next financial year.

14. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	(11 062 312)	(11 656 109)
Total Accumulated Surplus	(11 062 312)	(11 656 109)

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

15. GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	35 320 000	32 052 000
Provincial: Health Subsidy	492 748	-
Operational Grants	35 812 748	32 052 000

Conditional Grants

	10 706 791	5 526 893
National: EPWP	997 275	998 952
National: FMG	1 250 000	1 250 000
National: MSIG	930 000	934 000
Provincial: Roads	818 013	776 752
Provincial: COGHSTA (Housing Accreditation)	1 000 000	1 030 000
Provincial: EPWP (Renosterberg)	-	18 749
Provincial: Sports, Arts and Culture	-	203 482
Provincial: NEAR	349 042	314 958
Provincial: Cleaning Project	2 737 329	-
Provincial: RAMS Grant	2 625 133	-
Other Spheres of Government: Various Grants	-	-

Total Government Grants and Subsidies	46 519 539	37 578 893
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Government Grants and Subsidies:

Conditional Grants - Capital	-	636 918
Conditional Grants - Operational	9 706 792	3 859 975
Unconditional Grants - Capital	-	-
Unconditional Grants - Operational	36 812 748	33 082 000

Total Government Grants and Subsidies	46 519 540	37 578 893
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Summary of Transfers:

Conditions met - transferred to Revenue: Operating Expenses	46 519 540	36 941 975
Conditions met - transferred to Revenue: Capital Expenses	-	636 918

Total Transfers	46 519 540	37 578 893
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Operational Grants:

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
15.1 National: Equitable Share	35 320 000	32 052 000

The Municipality's Equitable Share allocation of the Local Government Sphere's share of revenue raised nationally. No funds were withheld.

15.2 Provincial: COGHSTA (Housing Accreditation)

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 030 000
Conditions met - transferred to Operating Revenue	(1 000 000)	(1 030 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	-	-

This grant was allocated to improve capacity within the administration of the Municipality in respect to the Housing Department. All conditions attached to the grant were met. No funds have been withheld.

Conditional Grants:

15.3 Provincial: Health Subsidy

Balance unspent at beginning of year	-	-
Current year receipts	500 000	-
Conditions met - transferred to Operating Revenue	(492 748)	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	7 252	-

To promote and support HIV Aids programmes within the Municipal area. No funds were withheld.

15. GOVERNMENT GRANTS AND SUBSIDIES (continued)

15.4 National: Expanded Public Works Programme

Balance unspent at beginning of year	1 048	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Operating Revenue	(997 276)	(362 034)
Conditions met - transferred to Capital Revenue	-	(636 918)
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	3 772	1 048

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP Guidelines. All conditions attached to the grant were met. No funds have been withheld.

15.5 National: Financial Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to Operating Revenue	(1 250 000)	(1 250 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

15.6 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. All conditions attached to the grant were met. No funds have been withheld.

15.7 National: Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	-
Current year receipts	930 000	934 000
Conditions met - transferred to Operating Revenue	(930 000)	(934 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. All conditions attached to the grant were met. No funds have been withheld.

15.8 Provincial: Department of Roads

Balance unspent at beginning of year	(197 474)	(190 903)
Current year receipts	1 015 487	770 181
Conditions met - transferred to Operating Revenue	(818 013)	(776 752)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current assets (see Note 2)	<u>-</u>	<u>(197 474)</u>

The Roads Grant was allocated for the payment of the medical aid ex gratia for personnel that is and has been on pension. No funds have been withheld.

15. GOVERNMENT GRANTS AND SUBSIDIES (continued)

15.9 Provincial: Expanded Public Works Programme (Renosterberg)

Balance unspent at beginning of year	-	18 749
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	(18 749)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP Guidelines. All conditions attached to the grant were met. No funds have been withheld.

15.10 Provincial: Sports, Arts and Culture

Balance unspent at beginning of year	-	203 482
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	(203 482)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R **2015**
R

To upgrade or build new sporting facilities at the Municipalities. All conditions attached to the grant were met. No funds have been withheld.

15.11 Provincial: NEAR

Balance unspent at beginning of year	923 172	608 172
Current year receipts	700 000	629 958
Conditions met - transferred to Operating Revenue	(349 042)	(314 958)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>1 274 130</u></u>	<u><u>923 172</u></u>

Funds from this grant is used to repair infrastructure that supports the provision of basic services and environmental health services for six months after the disaster. No funds have been withheld.

15.12 Provincial: Electrification Programme

Balance unspent at beginning of year	898	898
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>898</u></u>	<u><u>898</u></u>

This grant was allocated to improve and upgrade the electrify infrastructure and enhance the electricity capacity within the Municipality. All conditions attached to the grant were met. No funds have been withheld.

15.13 Provincial: Cleaning Project

Balance unspent at beginning of year	-	-
Current year receipts	3 000 000	-
Conditions met - transferred to Operating Revenue	(2 737 329)	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>262 671</u></u>	<u><u>-</u></u>

This grant was allocated to the Municipality for a cleaning project. All conditions attached to the grant were met. No funds have been withheld.

15. GOVERNMENT GRANTS AND SUBSIDIES (continued)

15.14 Provincial: RAMS Grant

Balance unspent at beginning of year	-	-
Current year receipts	2 657 000	-
Conditions met - transferred to Operating Revenue	(2 625 133)	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>31 868</u></u>	<u><u>-</u></u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in road infrastructure and usage. All conditions attached to the grant were met. No funds have been withheld.

16. PUBLIC CONTRIBUTIONS AND DONATIONS

Other Donations	-	5 700
Total Public Contributions and Donations	<u><u>-</u></u>	<u><u>5 700</u></u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
17. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Other Facilities	142 046	174 928
Total Rental of Facilities and Equipment	142 046	174 928
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
18. INTEREST EARNED		
External Investments:		
Bank Account	7 980	16 731
Investments	487 498	339 249
	495 478	355 980
Total Interest Received		
Interest - Fixed Deposits	115 927	46 573
Interest - Notice Deposits	371 572	292 675
Interest - Other	7 980	16 731
Interest - Variable Rate Instruments	495 478	355 980
Total Interest Earned	495 478	355 980
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	495 478	355 980
Loans and Receivables	-	-
	495 478	355 980
19. OTHER REVENUE		
Money Various	38 514	30 965
SETA Claims	3 897	45 993
Administration Cost	332 850	50 000
Insurance Claims Received	29 835	105 701
Telephone Deductions	52 349	67 061
Tender Documents	2 400	10 400
Contribution from Municipalities	3 046 382	3 108 553
Total Other Revenue	3 506 227	3 418 673

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 15 to 18, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
20. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	21 167 547	19 773 850
Basic Salaries and Wages	19 239 904	18 040 370
Contribution to Leave Fund	393 625	195 730
Service Bonuses	1 534 017	1 537 750
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	3 912 806	3 604 988
Medical	599 978	549 188
Pension	3 174 629	2 929 458
Industrial Council Levy	7 301	6 597
UIF	130 898	119 745
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 566 701	1 576 064
Allowances	1 566 701	1 576 064
Pensioners Allowances	-	-
Housing Benefits and Allowances	256 769	149 147
Overtime Payments	261 460	274 752
Learnerships	-	45 000
Defined Benefit Plan Expense:	1 150 122	120 593
Current Service Cost	373 682	437 078
Interest Cost	1 183 319	1 287 541
Net Actuarial (gains)/losses recognised	(406 879)	(1 604 026)
Total Employee Related Costs	28 315 405	25 544 394
No advances were made to employees.		
Included in Employee Related Costs is an amount of R3 174 629 (2015: R2 929 458) paid by the Municipality to Defined Contribution Plans at rates specified by the rules of the plans.		
Remuneration of Section 57 Employees:		
Remuneration of the Municipal Manager		
Annual Remuneration	922 260	856 800
Service Bonus	76 855	71 400
Car and Other Allowances	103 290	100 481
Company Contributions to UIF, Medical and Pension Funds	167 878	156 090
Total	1 270 283	1 184 771
Remuneration of the Chief Financial Officer		
Annual Remuneration	832 200	772 800
Service Bonus	69 350	64 400
Car and Other Allowances	89 068	86 732
Company Contributions to UIF, Medical and Pension Funds	151 668	140 970
Total	1 142 286	1 064 902
Remuneration of the Infrastructure Manager		
Annual Remuneration	764 491	348 644
Service Bonus	55 450	-
Car and Other Allowances	95 427	54 135
Company Contributions to UIF, Medical and Pension Funds	1 872	1 089
Total	917 240	403 868
The post was vacant from 1 July 2014 to 30 November 2014.		
Remuneration of the Planner PIMS		
Annual Remuneration	136 423	700 300
Service Bonus	9 733	54 150
Car and Other Allowances	16 760	92 616
Company Contributions to UIF, Medical and Pension Funds	32 004	118 830
Total	194 920	965 896
The post has was vacant from 1 October 2015 to 30 June 2016.		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

Remuneration of the Chief Corporate Services

Annual Remuneration	808 308	700 800
Performance Bonus	-	58 400
Car and Other Allowances	101 723	98 519
Company Contributions to UIF, Medical and Pension Funds	147 367	128 010
Total	1 057 398	985 729

20. EMPLOYEE RELATED COSTS (continued)

Remuneration of the Manager: Office of the Executive Mayor

Annual Remuneration	376 672	230 984
Service Bonus	30 894	-
Car and Other Allowances	88 200	58 800
Company Contributions to UIF, Medical and Pension Funds	106 090	65 837
Total	601 856	355 621

Remuneration of the Communication Manager

Annual Remuneration	287 328	556 873
Service Bonus	62 834	48 000
Car and Other Allowances	65 550	97 689
Company Contributions to UIF, Medical and Pension Funds	59 584	7 063
Total	475 296	709 625

The post has was vacant from 1 October 2015 to 31 December 2015.

No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.

21. REMUNERATION OF COUNCILLORS

Executive Mayor	770 012	730 495
Speaker	617 210	585 596
Members of Mayoral Committee	1 156 220	1 442 987
Councillors	1 183 810	783 834
Total Councillors' Remuneration	3 727 252	3 542 912

Remuneration of Councillors:

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor has use of a Council owned vehicle for official duties.

22. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	2 011 954	2 225 580
Amortisation: Intangible Assets	22 899	22 899
Total Depreciation and Amortisation	2 034 854	2 248 479

23. IMPAIRMENT LOSSES

23.1 Impairment Losses on Financial Assets

Impairment Losses Recognised:	123 327	868 546
Receivables from Exchange Transactions	123 327	868 546
	123 327	868 546

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
23.2 Bad Debts Written-off		
Bad Debts Written-off:	-	-
Receivables from Exchange Transactions	-	-
	-	-
	-	-
Total Impairment Losses	123 327	868 546
25. REPAIRS AND MAINTENANCE		
Land and Buildings	98 215	124 702
Other Assets	142 852	178 089
Total Repairs and Maintenance	241 067	302 791
26. FINANCE COSTS		
Bank Overdrafts	2 884	2 960
Current Borrowings	159 314	217 826
Finance Leases	869 083	910 812
Settlement	-	116 847
Total Interest Paid on External Borrowings	1 031 280	1 248 445
The weighted average capitalisation rate on funds borrowed generally is 5.27% per annum (2015: 5.27% per annum).		
27. CONTRACTED SERVICES		
Other Contracted Services	239 300	56 930
Total Contracted Services	239 300	56 930
28. GRANTS AND SUBSIDIES PAID		
EPWP Renosterberg	-	42 712
EPWP Projects	879 659	317 603
Housing Implementation Plan	-	648 066
Sport Facilities	-	188 079
District Wide Programs	572 082	156 826
L E D	4 498 281	-
Total Grants and Subsidies	5 950 023	1 353 287
29. GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertisements	87 017	65 610
Consulting Cost	467 534	316 909
Bank Cost	66 943	66 155
Protective clothing	31 681	17 080
Fire Extinguishers	1 100	-
Training	353 796	95 063
Audit Cost	1 007 705	2 065 535
Printing & Stationary	88 018	168 453
Sundries	-	15 828
Bursaries	15 000	1 938
PKS Newslatter	166 047	127 632
Property Tax	56 110	48 425
Electricity and Water	215 424	130 703

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Office Expenditure	58 116	451 675
Congress Cost	10 900	45 051
SETA Payments	-	326 235
Membership Fees	607 674	529 549
Audit Committee	70 913	48 271
Travel and Subsistence	2 111 226	2 139 395
Fuel and Oil	494 446	606 587
Cellphone & Telephone	379 975	360 717
Public Entertainment	190 332	216 528
Postage	3 316	2 102
Legal Cost	7 149	1 088 920
Strategic Planning	14 900	50 022
Water Samples	245 687	60 783
Insurance Claims	-	8 772
Fire Fighting Equipment for Municipalities	314 624	313 158
Insurance General	342 595	426 797
Operating Lease Assets	129 257	-
Compensation Commissioner	151 631	139 335
Total General Expenses	<u>7 689 116</u>	<u>9 933 226</u>

29. GENERAL EXPENSES (continued)

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

30. GAINS / (LOSSES) ON DISPOSAL OF INVESTMENT PROPERTY

Proceeds on Sale of Assets	417 300	639 931
Assets Disposed at Carrying Value:	(1 135 170)	(1 454 546)
Cost of Disposed Assets	(1 213 900)	(4 034 901)
Accumulated Depreciation of Disposed Assets	78 730	2 580 355
Total Gains / Losses on Disposal of Capital Assets	<u>(717 870)</u>	<u>(814 615)</u>

31. CHANGE IN ACCOUNTING POLICY

No Changes in Accounting Policies occurred during the year.

32. CORRECTION OF ERROR

Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2015 and 30 June 2016. Details of the adjustments are as follows:

Correction made to Assets

The prior year figures of Assets have been restated to correct errors and correctly classify the nature of Assets of the Municipality.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

The effect of the Correction of Error is as follows:

	2014/2015		Movement		2014/2015
	Published	Errors	Reclassification	Total	Restated
Receivables from Exchange Transactions	605 089	(224 868)	-	(224 868)	380 221
VAT Receivable	-	-	-	-	-
Cash and Cash Equivalents	524 802	-	-	-	524 802
Current Portion of Operating Lease Asset	-	-	-	-	-
Property, Plant and Equipment	12 660 785	-	-	-	12 660 785
Intangible Assets	37 374	-	-	-	37 374
Investment Property	1 953 700	-	-	-	1 953 700
Operating Lease Asset	-	-	-	-	-
	<u>15 781 750</u>	<u>(224 868)</u>	<u>-</u>	<u>(224 868)</u>	<u>15 556 882</u>

Correction made to Liabilities

The prior year figures of Assets have been restated to correct errors and correctly classify the nature of Liabilities of the Municipality.

The effect of the Correction of Error is as follows:

	2014/2015		Movement		2014/2015
	Published	Errors	Reclassification	Total	Restated
Current Portion of Employee Benefit Liabilities	(1 086 384)	-	-	-	(1 086 384)
Payables from Exchange Transactions	(6 572 320)	34 003	-	34 003	(6 538 317)
Unspent Conditional Grants and Receipts	(925 118)	-	-	-	(925 118)
VAT Payable	(231 925)	(1 223 395)	-	(1 223 395)	(1 455 320)
Current Portion of Long-term Liabilities	(1 123 470)	-	-	-	(1 123 470)
Long-term Liabilities	(2 413 933)	-	-	-	(2 413 933)
Employee Benefit Liabilities	(13 670 447)	-	-	-	(13 670 447)
	<u>(26 023 597)</u>	<u>(1 189 392)</u>	<u>-</u>	<u>(1 189 392)</u>	<u>(27 212 989)</u>

Corrections made to Net Assets

The prior year figures of Net Assets have been restated to correct errors and correctly classify the nature of Liabilities of the Municipality. The errors corrected includes the cumulative effect of those affecting the Statement of Financial Performance.

The effect of the Correction of Error is as follows:

	2014/2015		Movement		2014/2015
	Published	Errors	Reclassification	Total	Restated
Opening Balance	6 337 372	-	-	-	6 337 372
Correction of Error	-	939 287	-	939 287	939 287
Surplus (Deficit) for the year	3 904 477	474 973	-	474 973	4 379 450
	<u>10 241 849</u>	<u>1 414 261</u>	<u>-</u>	<u>1 414 261</u>	<u>11 656 110</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

32. CORRECTION OF ERROR (continued)

Corrections made to Revenue

The prior year figures of Revenue have been restated to correct errors and correctly classify the nature of Revenue of the Municipality.

The effect of the Correction of Error is as follows:

	2014/2015		Movement		2014/2015
	Published	Errors	Reclassification	Total	Restated
Government Grants and Subsidies Received	(37 578 894)	-	-	-	(37 578 894)
Public Contributions and Donations	(5 700)	-	-	-	(5 700)
Rental of Facilities and Equipment	(164 944)	(9 984)	-	(9 984)	(174 928)
Interest Earned - External Investments	(355 979)	-	-	-	(355 979)
Other Revenue	(3 626 399)	207 727	-	207 727	(3 418 672)
Other Gains and Losses	-	-	-	-	-
	<u>(41 731 916)</u>	<u>197 743</u>	<u>-</u>	<u>197 743</u>	<u>(41 534 173)</u>

Corrections made to Expenditure

The prior year figures of Revenue have been restated to correct errors and correctly classify the nature of Revenue of the Municipality.

The effect of the Correction of Error is as follows:

	2014/2015		Movement		2014/2015
	Published	Errors	Reclassification	Total	Restated
Employee Related Costs	25 544 393	-	-	-	25 544 393
Remuneration of Councillors	3 542 912	-	-	-	3 542 912
Depreciation and Amortisation	2 248 479	-	-	-	2 248 479
Impairment Losses	868 546	-	-	-	868 546
Repairs and Maintenance	300 616	2 175	-	2 175	302 791
Finance Costs	1 248 445	-	-	-	1 248 445
Contracted Services	56 930	-	-	-	56 930
Grants and Subsidies Paid	1 352 797	490	-	490	1 353 287
General Expenses	9 658 660	274 566	-	274 566	9 933 226
Loss on Disposal of Property, Plant and Equipment	814 615	-	-	-	814 615
	<u>45 636 393</u>	<u>277 231</u>	<u>-</u>	<u>277 231</u>	<u>45 913 624</u>

32.1 VAT Adjustment based on Audit conducted

During the year a VAT Audit was finalised by the South African Revenue Service (SARS). The findings resulted in a input VAT previously claimed being disallowed. Management engaged SARS on these matters and the result was that input VAT amounting to R1 251 010 is being recovered by SARS.

The effect of the Correction of Error is as follows:

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Statement of Financial Position		
(Increase) Decrease in VAT Payable	(1 251 011)	(1 251 011)
(Increase) Decrease in Creditors from Exchange Transactions	34 003	34 003
(Increase) Decrease in Accumulated Surplus	1 217 008	939 287
Statement of Financial Performance		
(Increase) Decrease in Other Income	-	490
Increase (Decrease) in Repairs and Maintenance	-	2 175
Increase (Decrease) in Grants and Subsidies Paid	-	490
Increase (Decrease) in General Expenses	-	274 566
	<u>-</u>	<u>-</u>

32.2 Shared Services written back

During the year Shared Services amounting to R236 250 (inclusive of VAT) was written back on fees charged during the 2015 financial year. This was due to overcharges that were made to Thembelihle Local Municipality for services that were discontinued.

The effect of the Correction of Error is as follows:

Statement of Financial Position		
Increase (Decrease) in Receivables from Exchange Transactions	(236 250)	(236 250)
(Increase) Decrease in VAT Payable	29 013	29 013
(Increase) Decrease in Accumulated Surplus	207 237	-
Statement of Financial Performance		
(Increase) Decrease in Other Income		207 237
	<u>-</u>	<u>-</u>

32. CORRECTION OF ERROR (continued)

32.3 Property Rental Debtor not previously recognised

Rental income in respect to the Umsobomvu Local Municipality Property Rent was erroneously not previously recognised. The revenue is now being recognised as the debtor paid the account in full.

Statement of Financial Position		
Increase (Decrease) in Receivables from Exchange Transactions	11 382	11 382
(Increase) Decrease in VAT Payable	(1 398)	(1 398)
(Increase) Decrease in Accumulated Surplus	(9 984)	-
Statement of Financial Performance		
(Increase) Decrease in Rental of Facilities and Equipment		(9 984)
	<u>-</u>	<u>-</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
33. CHANGE IN ACCOUNTING ESTIMATES		
33.01 Review of Residual Values and Estimated Useful Lives		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2016. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(214 510)	(202 635)
Increase / (Decrease) in Amortisation due to adjustments to Useful Lives of Intangible Assets	-	(38 875)
Increase / (Decrease) in Depreciation of PPE	(214 510)	(241 510)
Depreciation and Amortisation as previously stated	2 249 364	2 489 838
Adjustment due to Change in Accounting Estimate	(214 510)	(241 510)
Depreciation and Amortisation as per Note 22	2 034 854	2 248 328
34. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	593 798	(4 379 450)
Adjustment for:		
Donations Received	-	(1 400)
Depreciation and Amortisation	2 034 854	2 248 479
Losses / (Gains) on Disposal of Property, Plant and Equipment	717 870	814 615
Contribution to Post-retirement Health Care Benefits	41 997	(935 108)
Contribution to Impairment Provision	123 327	868 546
Bad Debts Written-off	-	-
Operating surplus before working capital changes	3 511 846	(1 384 318)
Decrease/(Increase) in Receivables from Exchange Transactions	88 954	515 725
Decrease/(Increase) in VAT Receivable	(650 316)	580 090
Decrease/(Increase) in Operating Lease Assets	(14 209)	699
Increase/(Decrease) in Payables from Exchange Transactions	(1 715 427)	(1 632 518)
Increase/(Decrease) in Conditional Grants and Receipts	655 472	93 817
Cash generated by / (utilised in) Operations	1 876 320	(1 826 505)
35. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
During the 2016 financial year, the Municipality did not acquire (2015: R1 511 000) any equipment under a finance lease. Any acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.		
36. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	-	-
- Amount unused	-	-
	-	-
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	100 000	100 000
	-	-

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

37. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 12)	2 374 428	3 537 404
Used to finance Property, Plant and Equipment - at cost	(2 374 428)	(3 537 404)
Sub-total	<u>-</u>	<u>-</u>
Cash set aside for the Repayment of Long-term Liabilities	-	-
Cash invested for Repayment of Long-term Liabilities	<u><u>-</u></u>	<u><u>-</u></u>

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

38. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	2 220 039	2 220 039
Unauthorised Expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to Receivables for recovery (see Note 2)	-	-
Unauthorised Expenditure awaiting authorisation	<u><u>2 220 039</u></u>	<u><u>2 220 039</u></u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted Votes exceeded:</i>	
None were identified	

38.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	811 122	694 275
Fruitless and Wasteful Expenditure current year	-	248 004
Correction of Prior Year Estimate	-	(131 157)
Condoned or written off by Council	-	-
Transfer to Receivables for recovery (see Note 2)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u><u>811 122</u></u>	<u><u>811 122</u></u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>The Fruitless and Wasteful Expenditure identified was inspected and it can be categorised as follows:</i>	
No Fruitless and Wasteful Expenditure have been identified in the current year (2015: The Municipality incurred interest on the account of the Auditor-General. This is the result of the balance outstanding at yearend, which could not be paid by the Municipality due to cash flow constraints. Subsequently, management has engaged the Auditor-General and has agreed to a settlement agreement. To date, the Municipality has complied with the settlement conditions).	

38. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)

38.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	56 543 060	54 568 650
Irregular Expenditure current year	2 566 915	1 974 410
Condoned or written off by Council	(59 109 975)	-
Transfer to Receivables for recovery (see Note 2)	-	-
Irregular Expenditure awaiting condonement	<u><u>-</u></u>	<u><u>56 543 060</u></u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

Incident	Disciplinary Steps / Criminal Proceedings
<i>The Irregular Expenditure identified was inspected and it can be categorised as follows:</i>	
Original Tax Clearance Certificates not provided: Instance occurred whereby the Municipality acquired services in excess of R15 000 from providers for which it did not have an Original Tax Certificate = R83 900 (2015: R17 117).	No disciplinary steps have been taken as no individual or group of individuals have been identified to be the guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses. Council has condoned the expenditure.
Preferential Procurement not followed: The Municipality incurred expenditure in excess of R30 000 whereby the PPPFA stipulations and requirements were not followed = R416 583 (2015: 1 946 173).	
SCM Process not followed: The Municipality incurred expenditure amounting to R1 756 979 where the SCM process was not followed.	
Three Quotations not obtained: Expenditure amounting to R264 126 were incurred whereby the required number of quotations were not obtained.	
Other non-compliance: Expenditure amounting to R5 750 could not be substantiated by the original documentation (mailed documentation used for payment) and late payments amounting to R39 576 occurred during the year.	

39. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (UNAUDITED)

39.1 Contributions to organised local government - SALGA

Opening Balance	-	462 500
Council Subscriptions	439 500	-
Amount Paid - current year	(439 500)	(462 500)
Amount Paid - previous years	-	-
Balance Prepaid (included in Creditors)	<u>-</u>	<u>-</u>

39.2 Audit Fees

Opening Balance	3 906 114	3 039 331
Current year audit fee	1 224 878	2 138 065
Current year interest	-	248 004
Amount Paid - current year	(3 883 124)	(643 641)
Amount Paid - previous years	-	(875 645)
Balance Unpaid (included in Creditors)	<u>1 247 869</u>	<u>3 906 114</u>

39.3 VAT

The net of VAT input payables and VAT output receivables are shown in Notes 3. All VAT returns have been submitted by the due date throughout the year.

39.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	5 292 651	4 965 157
Amount Paid - current year	(5 292 651)	(4 965 157)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

39.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	5 292 651	5 699 974
Amount Paid - current year	(5 292 651)	(5 699 974)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

39. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

39.6 Non-Compliance with the Municipal Finance Management Act

The Municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
Unauthorised, Irregular or Fruitless and Wasteful Expenditure	4	32	4
General Financial Management Functions	8	62	1
Revenue Management	8	64	2
Expenditure Management	8	65	1 & 2
Disclosures on Intergovernmental and Other Allocations	12	123	
Disclosures concerning Councillors, Directors and Officials	12	124	
Other Compulsory Disclosures	12	125	
Audit Committees	14	166	

39.7 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

All deviations from the the Municipality's Supply Chain Management Policy were identified and disclosed as irregular expenditure in Note 38.3.

40. COMMITMENTS FOR EXPENDITURE

40.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Other

28 500	929 009
28 500	929 009

- Approved but Not Yet Contracted for:-

Infrastructure

Other

-	-
-	-
-	-

Total Capital Commitments

28 500	929 009
---------------	----------------

This expenditure will be financed from:

Government Grants

Own Resources

28 500	929 009
-	-
28 500	929 009

40.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 12.

40.3 Other Commitments

The Municipality has entered into a contract with Ducharme Consulting (Pty) Ltd during the 2016 financial year for the compilation of Annual Financial Statements and audit assistance, which will give rise to a total charge of R253,810.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

41. FINANCIAL INSTRUMENTS

41.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the Municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Receivables from Exchange Transactions			
Property Rental Debtors	Amortised cost	-	165 110
Shared Services	Amortised cost	62 015	-
Sundry Debtors	Amortised cost	105 925	215 111
Cash and Cash Equivalents			
Term Deposits	Amortised cost	43 152	41 708
Call Deposits	Amortised cost	409 390	235 008
Bank Balances	Amortised cost	97 665	248 085
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Property Rental Debtors	-	165 110
Receivables from Exchange Transactions	Shared Services	62 015	-
Receivables from Exchange Transactions	Sundry Debtors	105 925	215 111
Cash and Cash Equivalents	Term Deposits	43 152	41 708
Cash and Cash Equivalents	Call Deposits	409 390	235 008
Cash and Cash Equivalents	Bank Balances	97 665	248 085
Total Financial Assets		718 147	905 022

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the Municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	1 921 326	2 521 958
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	879 002	283 342
Payments received in Advance	Amortised cost	68 273	17 445
Advances from Road Department	Amortised cost	240 750	240 750
Other Creditors	Amortised cost	1 381 776	3 989 323
Accrued Leave	Amortised cost	1 501 996	1 256 834
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	658 832	630 080
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	1 921 326	2 521 958
Payables from Exchange Transactions	Trade Creditors	879 002	283 342
Payables from Exchange Transactions	Payments received in Advance	68 273	17 445
Payables from Exchange Transactions	Advances from Road Department	240 750	240 750
Payables from Exchange Transactions	Other Creditors	1 381 776	3 989 323
Payables from Exchange Transactions	Accrued Leave	1 501 996	1 256 834
Current Portion of Long-term Liabilities	Annuity Loans	658 832	630 080
Total Financial Liabilities		6 651 955	8 939 732

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

41. FINANCIAL INSTRUMENTS (continued)

41.2 Capital Risk Management

The Municipality manages its capital to ensure that the Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2010.

The capital structure of the Municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 12, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 14 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the Municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,00%, reducing 90,00%. This aggressive ratio is as a result of the development challenges faced by the Municipality. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

Debt	2 374 428	3 537 404
Cash and Cash Equivalents	550 207	524 801
Net Debt	<u>2 924 635</u>	<u>4 062 205</u>
Equity	<u>11 062 312</u>	<u>11 656 109</u>
Net debt to equity ratio	<u>26.44%</u>	<u>34.85%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

41.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

41.4 Significant Risks

It is the policy of the Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the Municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016	2015
R	R

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the Municipality's receivables from customers and investment securities.

41. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity Risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 41.8 to the Annual Financial Statements.

41.5 Market Risk

The Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 41.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

41.5.1 Foreign Currency Risk Management

The Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

41.5.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality is not exposed to credit interest rate risk as the Municipality has no borrowings.

The Municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 56.8 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Municipality's:

Surplus for the year ended 30 June 2016 would have decreased by R5 358 (2015: R8 925). This is mainly attributable to the Municipality's exposure to interest rates on its variable rate investments.

41.6 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses its own trading records to assess its major customers. The Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

41. FINANCIAL INSTRUMENTS (continued)

Investments/Bank, Cash and Cash Equivalents

The Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The Municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Receivables from Exchange Transactions	1 735 504	1 807 911
Bank, Cash and Cash Equivalents	550 207	524 801
Maximum Credit and Interest Risk Exposure	2 285 711	2 332 712

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

	%	%
Other Debtors:		
- Other not Classified	100%	100%
Total Credit Risk	100%	100%

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Bank and Cash Balances		
ABSA Bank Ltd	550 207	524 801
Total Bank and Cash Balances	<u><u>550 207</u></u>	<u><u>524 801</u></u>

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from Exchange Transactions

Group 1	1 735 504	1 807 911
Group 2	-	-
Group 3	-	-
Total Receivables from Exchange Transactions	<u><u>1 735 504</u></u>	<u><u>1 807 911</u></u>

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

41. FINANCIAL INSTRUMENTS (Continued)

41.7 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 36 is a listing of additional undrawn facilities that the Municipality has at its disposal to further

Liquidity and Interest Risk Tables

The Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the Municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
30 June 2016	#	%	R	R	R	R		R
Non-interest Bearing			4 822 890	4 822 890	-	-	-	-
- Payables from Exchange transactions	10	0.00%	4 822 890	4 822 890	-	-	-	-
Fixed Interest Rate Instruments			788 498	394 249	394 249	-	-	-
- DBSA	12	10.00%	788 498	394 249	394 249	-	-	-
Variable Interest Rate Instruments			1 650 782	690 387	662 058	298 336	-	-
- Canon	12	Various	1 650 782	690 387	662 058	298 336	-	-
			5 611 388	5 217 139	394 249	-	-	-
30 June 2015								
Non-interest Bearing			6 538 317	6 538 317	-	-	-	-
- Payables from Exchange transactions	10	0.00%	6 538 317	6 538 317	-	-	-	-
Fixed Interest Rate Instruments			2 168 720	394 249	394 249	788 698	591 524	-
- DBSA	12	10.00%	2 168 720	394 249	394 249	788 698	591 524	-
Variable Interest Rate Instruments			3 192 357	750 526	750 526	1 391 541	299 764	-
- Canon	12	Various	3 192 357	750 526	750 526	1 391 541	299 764	-
			8 707 037	6 932 566	394 249	788 698	591 524	-

The Municipality did not have access to financing facilities at the reporting date. The Municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

41.8 Other Price Risks

The Municipality is not exposed to equity price risks arising from equity investments as the Municipality does not trade these investments.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

42. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R3 174 629 (2015: R2 929 458) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R31,425 (30 June 2012: R(7,980)) million, with funding levels of 100.2% and 105.1% (30 June 2012: 99.9% and 108.0%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

43. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

43.1 Interest of Related Parties

No relationships have been identified.

43.2 Services rendered to Related Parties

The Municipality did not render any services during the year to anyone that can be considered as a related party.

43.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No such loans existed at yearend.

43.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

43.5 Purchases from Related Parties

The Municipality did not buy goods from any companies which can be considered to be Related Parties.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
44. CONTINGENT LIABILITIES		
No Contingent Liabilities existed at yearend.		
45. CONTINGENT ASSETS		
The Municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.		
46. IN-KIND DONATIONS AND ASSISTANCE		
The Municipality did received In-kind Donations in the form of Donated Assets. The financial effect of the Donation is as follows:		
Increase / (Decrease) in Property Plant and Equipment	-	1 249
(Increase) / Decrease in Donations Received	-	(1 400)
Increase / (Decrease) in Depreciation Expense	-	151
	<u>-</u>	<u>-</u>
No restrictions and / or conditions were attached to the donation.		
47. PRIVATE PUBLIC PARTNERSHIPS		
The Municipality was not a party to any Private Public Partnerships during the year under review.		
48. EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2016.		
49. COMPARATIVE FIGURES		
The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 31) and Prior Period Errors (Note 32).		
50. GOING CONCERN ASSESSMENT		
Management considered the following matters relating to the Going Concern:		
(i) On 1 May 2013 the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of Municipal services to residents reflected that the Budget was cash-backed over the three-year period.		
(ii) The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.		
(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.		
(iv) As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.		
(v) The unspent conditional grant balance is currently not cash-backed. Certain expenses were incurred during the current and previous financial years, which did not meet the requirements of certain grants. These costs were reversed against the grant. The Municipality has begun to generate the shortfall within its own operating budget.		
Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 1 July 2015	Received during the Period	Redeemed/ Written Off during Period
ANNUITY LOANS	R				R	R	R
DBSA	4 925 202	10.00%	102 850	2018/03/31	1 891 878	-	(629 384)
Total Annuity Loans	4 925 202				1 891 878	-	(629 384)
CAPITAL LEASE LIABILITIES							
Canon	1 870 649	Various	Various	2016/11/01	1 645 526	-	(533 592)
Total Capital Lease Liabilities	1 870 649				1 645 526	-	(533 592)
TOTAL EXTERNAL LOANS	6 795 851				3 537 404	-	(1 162 976)

ANNUITY LOANS:

DBSA:

The Annuity Loan is repaid over a period of 10 (2015: 10) years, at an interest rate of 10.00% (2015: 10.00%) per annum. The Annuity Loan is not secured.

CAPITAL LEASE LIABILITIES:

Canon:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2015: 3 years). The effective interest rate on Finance Leases is 7.93% (2015: 1.48% and 8.31%).

Note: The rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' : the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable their remaining lives, in order to absorb the increase or decrease in costs.

Balance at 30 June 2016
R
1 262 494
1 262 494
1 111 934
1 111 934
2 374 428

between 2.16% and

**statutory costs and
Income Tax Act or
e on the loans over**

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Land and Buildings									
Land	27 200	-	(200)	27 000	-	-	-	-	27 000
Buildings	15 191 960	-	(120 000)	15 071 960	5 821 857	916 425	(78 730)	6 659 552	8 412 408
	15 219 160	-	(120 200)	15 098 960	5 821 857	916 425	(78 730)	6 659 552	8 439 408
Leased Assets									
Office Equipment	1 894 010	-	-	1 894 010	727 010	781 285	-	1 508 296	385 714
	1 894 010	-	-	1 894 010	727 010	781 285	-	1 508 296	385 714
Other Assets									
<i>Emergency Equipment</i>									
Emergency Equipment	156 083	-	-	156 083	118 650	7 477	-	126 128	29 955
<i>Vehicles</i>									
Motor Vehicles	643 128	870 592	-	1 513 720	196 985	65 387	-	262 372	1 251 348
Trucks	863 938	-	-	863 938	284 620	23 721	-	308 341	555 597
Trailers	10 890	-	-	10 890	4 645	233	-	4 878	6 012
<i>Furniture And Fittings</i>									
Tables and desks	706 405	-	-	706 405	534 128	26 666	-	560 794	145 610
Furniture And Fittings	773 569	-	-	773 569	587 899	29 165	-	617 065	156 504
Chairs	419 455	1 754	-	421 209	257 245	28 852	(5 603)	280 494	140 715
<i>Office Equipment</i>									
Electronic Equipment	251 509	12 883	-	264 393	182 053	18 968	(1 489)	199 531	64 862
Air Conditioner	353 787	56 750	-	410 537	286 838	13 433	-	300 271	110 266
Computer Hardware	981 315	163 262	-	1 144 576	681 710	84 393	(4 158)	761 944	382 632
Other Office Equipment	174 800	-	-	174 800	124 542	14 850	(508)	138 884	35 916
<i>Plant And Equipment</i>									
Compressor/Generator	47 684	-	-	47 684	38 525	1 100	-	39 624	8 060
	5 382 564	1 105 240	-	6 487 804	3 297 840	314 244	(11 759)	3 600 325	2 887 478
Total	22 495 734	1 105 240	(120 200)	23 480 774	9 846 708	2 011 954	(90 489)	11 768 173	11 712 601

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2016

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Investment Properties	R	R	R	R	R	R	R	R	R
Land And Buildings	1 953 700	-	(1 093 700)	860 000	-	-	-	-	860 000
	1 953 700	-	(1 093 700)	860 000	-	-	-	-	860 000

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Intangible Assets	R	R	R	R	R	R	R	R	R
Computer Software	397 692	-	-	397 692	360 319	22 899	-	383 218	14 474
	397 692	-	-	397 692	360 319	22 899	-	383 218	14 474
Total Asset Register	24 847 126	1 105 240	(1 213 900)	24 738 466	10 207 026	2 034 854	(90 489)	12 151 391	12 587 075

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Budget And Treasury Office	24 847 126	1 105 240	(1 213 900)	24 738 466	10 207 026	2 034 854	(90 489)	12 151 391	12 587 075
Total	24 847 126	1 105 240	(1 213 900)	24 738 466	10 207 026	2 034 854	(90 489)	12 151 391	12 587 075

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual Income	2015 Actual Expenditure	2015 Surplus/ (Deficit)	Description	2016 Actual Income	2016 Actual Expenditure	2016 Surplus/ (Deficit)
R	R	R		R	R	R
164 944	(7 524 766)	(7 359 822)	Administration	142 046	(7 001 766)	(6 859 721)
18 837 154	(12 743 348)	6 093 807	Finance	20 803 916	(12 578 485)	8 225 431
-	(2 080 651)	(2 080 651)	Development and Infrastructure	-	(2 747 210)	(2 747 210)
-	(2 137 220)	(2 137 220)	Environmental Health	-	(2 832 860)	(2 832 860)
1 030 000	(3 027 126)	(1 997 126)	Housing	1 000 000	(2 508 441)	(1 508 441)
-	(3 486 198)	(3 486 198)	Internal Audit	-	(3 683 293)	(3 683 293)
3 282 000	(7 316 807)	(4 034 807)	Council Expenses	2 506 421	(7 068 207)	(4 561 786)
529	(1 554 086)	(1 553 557)	Municipal Manager	-	(1 546 972)	(1 546 972)
12 840 184	(922 557)	11 917 626	I D P	21 392 738	(6 108 504)	15 284 234
314 958	(2 593 741)	(2 278 783)	Protection Services	349 042	(2 557 016)	(2 207 974)
4 249 789	(1 712 509)	2 537 280	Shared Services	3 976 382	(943 991)	3 032 391
				-	-	-
40 719 559	(45 099 009)	(4 379 450)	Total	50 170 544	(49 576 745)	593 799

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(1)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2016

Description	2016										2015	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD												
Governance and Administration:												
Executive and Council	2 711 000	500 000	3 211 000	-	3 211 000	2 648 467	-	(562 533)	(17.52)%	(2.31)%	-	3 447 473
Budget and Treasury Office	20 281 000	996 000	21 277 000	-	21 277 000	20 803 916	-	(473 084)	(2.22)%	2.58%	-	18 837 154
Corporate Services	4 402 875	576 125	4 979 000	-	4 979 000	3 976 382	-	(1 002 618)	(20.14)%	0.00%	-	4 249 789
		-										
Community and Public Safety:												
Public Safety	700 000	-	700 000	-	700 000	349 042	-	(350 958)	(50.14)%	(50.14)%	-	314 958
Housing	-	970 000	970 000	-	970 000	1 000 000	-	30 000	3.09%	0.00%	-	1 030 000
Economic and Environmental Services:												
Planning and Development	18 640 000	3 050 000	21 690 000	-	21 690 000	21 392 738	-	(297 262)	(1.37)%	14.77%	-	12 840 184
Total Revenue - Standard	46 734 875	6 092 125	52 827 000	-	52 827 000	50 170 544	-	(2 656 456)			-	40 719 559
EXPENDITURE - STANDARD												
Governance and Administration:												
Executive and Council	9 048 159	79 324	9 127 483	-	9 127 483	15 616 945	-	6 489 462	71.10%	72.60%	-	16 395 660
Budget and Treasury Office	14 362 027	808 243	15 170 270	-	15 170 270	12 578 485	-	(2 591 785)	(17.08)%	(12.42)%	-	12 743 348
Corporate Services	12 222 896	(95 785)	12 127 111	-	12 127 111	4 627 284	-	(7 499 827)	(61.84)%	(62.14)%	-	5 198 707
Community and Public Safety:												
Public Safety	2 492 881	160 859	2 653 740	-	2 653 740	2 557 016	-	(96 724)	(3.64)%	2.57%	-	2 593 741
Housing	2 526 995	44 205	2 571 200	-	2 571 200	2 508 441	-	(62 759)	(2.44)%	(0.73)%	-	3 027 126
Health	2 966 281	(257 281)	2 709 000	-	2 709 000	2 832 860	-	123 860	4.57%	(4.50)%	-	2 137 220
Economic and Environmental Services:												
Planning and Development	6 471 282	3 679 845	10 151 127	-	10 151 127	8 855 714	-	(1 295 413)	(12.76)%	36.85%	-	3 003 208
Total Expenditure - Standard	50 090 521	4 419 410	54 509 931	-	54 509 931	49 576 745	-	(4 933 186)			-	45 099 009
Surplus/(Deficit) for the year	(3 355 646)	1 672 715	(1 682 931)	-	(1 682 931)	593 799	-	2 276 730			-	(4 379 450)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(2)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2016

Description	2016										2015	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE												
Vote 1 - Emergency and Disaster Management	700 000	-	700 000	-	700 000	349 042	-	(350 958)	(50.14)%	(50.14)%	-	314 958
Vote 2 - Support and Social Services	-	80 000	80 000	-	80 000	142 046	-	62 046	77.56%	100.00%	-	164 944
Vote 3 - Budget and Treasury	20 281 000	996 000	21 277 000	-	21 277 000	20 803 916	-	(473 084)	(2.22)%	2.58%	-	18 837 154
Vote 4 - Council Expenses	2 711 000	500 000	3 211 000	-	3 211 000	2 506 421	-	(704 579)	(21.94)%	(7.55)%	-	3 282 000
Vote 5 - IDP	18 640 000	3 050 000	21 690 000	-	21 690 000	21 392 738	-	(297 262)	(1.37)%	14.77%	-	12 840 184
Vote 6 - Municipal Manager	-	-	-	-	-	-	-	-	-	-	-	529
Vote 10 - Housing	-	970 000	970 000	-	970 000	1 000 000	-	30 000	3.09%	-	-	1 030 000
Vote 11 - Shared Service	4 402 875	496 125	4 899 000	-	4 899 000	3 976 382	-	(922 618)	(18.83)%	(9.69)%	-	4 249 789
Total Revenue by Vote	46 734 875	6 092 125	52 827 000	-	52 827 000	50 170 544	-	(2 656 456)			-	40 719 559
EXPENDITURE BY VOTE												
Vote 1 - Emergency and Disaster Management	2 492 881	160 859	2 653 740	-	2 653 740	2 557 016	-	(96 724)	(3.64)%	2.57%	-	2 593 741
Vote 2 - Support and Social Services	6 865 939	436 329	7 302 268	-	7 302 268	7 001 766	-	(300 502)	(4.12)%	1.98%	-	7 524 766
Vote 3 - Budget and Treasury	14 362 027	808 243	15 170 270	(167 000)	15 003 270	12 578 485	-	(2 424 785)	(16.16)%	(12.42)%	-	12 743 348
Vote 4 - Council Expenses	7 553 345	(18 534)	7 534 811	-	7 534 811	7 068 207	-	(466 604)	(6.19)%	(6.42)%	-	7 316 807
Vote 5 - IDP	3 872 000	3 554 000	7 426 000	-	7 426 000	6 108 504	-	(1 317 496)	(17.74)%	57.76%	-	922 557
Vote 6 - Municipal Manager	1 494 814	97 858	1 592 672	-	1 592 672	1 546 972	-	(45 700)	(2.87)%	3.49%	-	1 554 086
Vote 7 - Internal Audit	3 558 450	273 250	3 831 700	-	3 831 700	3 683 293	-	(148 407)	(3.87)%	3.51%	-	3 486 198
Vote 8 - Development ant Infrastructure	2 599 282	125 845	2 725 127	37 000	2 762 127	2 747 210	-	(14 917)	(0.54)%	5.69%	-	2 080 651
Vote 9 - Environmental Health	2 966 281	(257 281)	2 709 000	130 000	2 839 000	2 832 860	-	(6 140)	(0.22)%	(4.50)%	-	2 137 220
Vote 10 - Housing	2 526 995	44 205	2 571 200	-	2 571 200	2 508 441	-	(62 759)	(2.44)%	(0.73)%	-	3 027 126
Vote 11 - Shared Service	1 798 507	(805 364)	993 143	-	993 143	943 991	-	(49 152)	(4.95)%	(47.51)%	-	1 712 509
Total Expenditure by Vote	50 090 521	4 419 410	54 509 931	-	54 509 931	49 576 745	-	(4 933 186)			-	45 099 009
Surplus/(Deficit) for the year	(3 355 646)	1 672 715	(1 682 931)	-	(1 682 931)	593 799	-	2 276 730			-	(4 379 450)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(3)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

Description	2016										2015	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source												
Government Grants and Subsidies Received	41 857 000	4 470 000	46 327 000	-	46 327 000	46 519 539	-	192 539	0.42%	11.14%	-	37 578 893
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-	5 700
Rental of Facilities and Equipment	-	80 000	80 000	-	80 000	142 046	-	62 046	77.56%	100.00%	-	174 928
Interest Earned - External Investments	205 000	200 000	405 000	-	405 000	495 478	-	90 478	22.34%	141.70%	-	355 980
Other Revenue	4 722 875	1 292 125	6 015 000	-	6 015 000	3 506 227	-	(2 508 773)	(41.71)%	(25.76)%	-	3 418 673
Total Revenue (excluding Capital Transfers & Contribution)	46 784 875	6 042 125	52 827 000	-	52 827 000	50 663 291	-	(2 163 709)			-	41 534 174
Expenditure												
Employee Related Costs	28 138 000	(1 300 000)	26 838 000	-	26 838 000	28 315 405	-	1 477 405	5.50%	0.63%	-	25 544 394
Remuneration of Councillors	3 816 000	(90 000)	3 726 000	-	3 726 000	3 727 252	-	1 252	0.03%	(2.33)%	-	3 542 912
Depreciation and Amortisation	2 000 000	249 000	2 249 000	-	2 249 000	2 034 854	-	(214 146)	(9.52)%	1.74%	-	2 248 479
Impairment Losses	-	-	-	-	-	123 327	-	123 327	100.00%	100.00%	-	868 546
Repairs and Maintenance	280 000	(79 000)	201 000	-	201 000	241 067	-	40 067	19.93%	(13.90)%	-	302 791
Finance Costs	162 000	20 000	182 000	-	182 000	1 031 280	-	849 280	466.64%	536.59%	-	1 248 445
Contracted Services	625 000	625 000	1 250 000	-	1 250 000	239 300	-	(1 010 700)	(80.86)%	(61.71)%	-	56 930
Grants and Subsidies Paid	-	-	-	-	-	5 950 023	-	5 950 023	100.00%	100.00%	-	1 353 287
General Expenses	15 039 000	5 027 000	20 066 000	-	20 066 000	7 689 116	-	(12 376 884)	(61.68)%	(48.87)%	-	9 933 226
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	717 870	-	717 870	0.00%	0.00%	-	814 615
Total Expenditure	50 060 000	4 452 000	54 512 000	-	54 512 000	50 069 493	-	(4 442 507)			-	45 913 625
Surplus/(Deficit) for the Year	(3 275 125)	1 590 125	(1 685 000)	-	(1 685 000)	593 798	-	2 278 798			-	(4 379 450)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(4)

RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2016

Description	2016										20
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE											
Multi-year Expenditure											
Vote 1 - Emergency and Disaster Management	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Support and Social Services	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Council Expenses	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - IDP	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Municipal Manager	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Internal Audit	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Development ant Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Environmental Health	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Housing	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Shared Service	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	-	-	-	-
Single-year Expenditure											
Vote 1 - Emergency and Disaster Management	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Support and Social Services	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury	-	11 000	11 000	-	11 000	1 105 241	-	1 094 241	9947.65%	100.00%	-
Vote 4 - Council Expenses	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - IDP	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Municipal Manager	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Internal Audit	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Development ant Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Environmental Health	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Housing	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Shared Service	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Single-year	-	11 000	11 000	-	11 000	1 105 241	-	1 094 241			-
Total Capital Expenditure - Vote	-	11 000	11 000	-	11 000	1 105 241	-	1 094 241			-
CAPITAL EXPENDITURE - STANDARD											
Governance and Administration:											
Executive and Council	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Budget and Treasury Office	-	11 000	11 000	-	11 000	1 105 241	-	1 094 241	9947.65%	100.00%	-
Corporate Services	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Community and Public Safety:											
Public Safety	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Housing	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Health	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Economic and Environmental Services:											
Planning and Development	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Environmental Protection	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Total Capital Expenditure - Standard	-	11 000	11 000	-	11 000	1 105 241	-	1 094 241			-
FUNDED BY:											
National Government	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Provincial Government	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Transfers Recognised - Capital	-	-	-	-	-	-	-	-			-
Borrowing	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Internally Generated Funds	-	11 000	11 000	-	11 000	1 105 241	-	1 094 241	9947.65%	100.00%	-
Total Capital Funding	-	11 000	11 000	1 -	11 000	1 105 241	-	1 094 241			-

[illegible]



PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(5)

RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

Description	2016								2015
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Government - Operating	41 807 000	4 520 000	46 327 000	46 327 000	47 175 011	848 011	1.83%	12.84%	37 035 793
Government - Capital	4 722 825	1 292 125	6 014 950	6 014 950	-	(6 014 950)	(100.00)%	(100.00)%	636 918
Interest	205 000	200 000	405 000	405 000	495 478	90 478	22.34%	141.70%	355 979
Other Receipts	-	-	-	-	3 123 530	3 123 530	(100.00)%	(100.00)%	4 410 795
Payments									
Suppliers and Employees	(31 954 146)	1 389 795	(30 564 351)	(30 564 351)	(47 886 417)	(17 322 066)	56.67%	49.86%	(43 017 546)
Finance Charges	(160 000)	(20 000)	(180 000)	(180 000)	(1 031 280)	(851 280)	472.93%	544.55%	(1 248 445)
Transfers and Grants	(15 943 640)	(4 901 860)	(20 845 500)	(20 845 500)	-	20 845 500	(100.00)%	(100.00)%	-
NET CASH FROM / (USED) OPERATING ACTIVITIES	(1 322 961)	2 480 060	1 157 099	1 157 099	1 876 322	719 223			(1 826 506)
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	-	-	-	-	417 300	417 300	(100.00)%	(100.00)%	(2 603 517)
Payments									
Capital Assets	-	(11 000)	(11 000)	(11 000)	(1 105 241)	(1 094 241)	9947.65%	100.00%	628 173
NET CASH FROM / (USED) INVESTING ACTIVITIES	-	(11 000)	(11 000)	(11 000)	(687 941)	(676 941)			(1 975 344)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised	-	-	-	-	-	-	-	-	1 511 000
Payments									
Loans repaid	(629 000)	-	(629 000)	(629 000)	(1 162 976)	(533 976)	84.89%	84.89%	(768 223)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(629 000)	-	(629 000)	(629 000)	(1 162 976)	(533 976)			742 777
NET INCREASE / (DECREASE) IN CASH HELD	(1 951 961)	2 469 060	517 099	517 099	25 405	(491 694)			(3 059 073)
Cash / Cash Equivalents at the Year begin:	8 359 000	(4 775 000)	3 584 000	3 584 000	524 802	(3 059 198)	(85.36)%	(93.72)%	3 583 875
Cash / Cash Equivalents at the Year end:	10 242 000	(7 360 000)	2 882 000	2 882 000	550 207	(2 331 793)	(80.91)%	(94.63)%	524 802

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Total Receipts	Total Expenses	Net Grant	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*)	Reason for Non-compliance
			Total	Total	Total		Yes / No	
Equitable Share	National Treasury	-	35 320 000	35 320 000	-	N/a	Yes	N/a
Housing Accreditation	COGSTHA	-	1 000 000	1 000 000	-	N/a	Yes	N/a
Health Subsidy	Provincial	-	500 000	492 748	7 252	N/a	Yes	N/a
EPWP	National Treasury	1 048	1 000 000	997 276	3 772	N/a	Yes	N/a
Financial Management (FMG)	National Treasury	-	1 250 000	1 250 000	-	N/a	Yes	N/a
Municipal Systems Improvement (MSIG)	National Treasury	-	930 000	930 000	-	N/a	Yes	N/a
Department of Roads	Provincial	(197 474)	1 015 487	818 013	-	N/a	Yes	N/a
RAMS Grant	Provincial	-	2 657 000	2 625 133	31 868	N/a	Yes	N/a
COGHTA Grant	COGSTHA	-	3 000 000	2 631 089	368 911	N/a	Yes	N/a
NEAR	Provincial	923 172	700 000	349 042	1 274 130	N/a	Yes	N/a
Electrification Programme	Provincial	898	-	-	898	N/a	Yes	N/a
Fire Fighting Equipment	Provincial	-	-	-	-	N/a	Yes	N/a
Total Grants and Subsidies Received		727 644	47 372 487	46 413 300	1 686 831			

Grant Expenditure per Vote

Name of Grant	Administration	Finance	Infrastructure	Housing	Internal Audit	Council	GOP / IDP	Public Safety
	Total	Total	Total	Total	Total	Total	Total	Total
Housing Accreditation	-	-	-	1 000 000	-	-	-	-
Health Subsidy	-	-	-	-	-	-	492 748	-
EPWP	-	-	-	-	-	-	997 276	-
Financial Management (FMG)	-	1 250 000	-	-	-	-	-	-
Municipal Systems Improvement (MSIG)	-	930 000	-	-	-	-	-	-
Department of Roads	818 013	-	-	-	-	-	-	-
RAMS Grant	-	-	-	-	-	-	2 625 133	-
COGHTA Grant	-	-	-	-	-	-	2 631 089	-
NEAR	-	-	-	-	-	-	-	-
Electrification Programme	-	-	-	-	-	-	-	-
Fire Fighting Equipment	-	-	-	-	-	-	-	349 042
Total Grants and Subsidies Received	818 013	2 180 000	-	1 000 000	-	-	6 746 246	349 042

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2016

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R
Mayor								
JZ Lolwana	-	758 012	-	12 000	-	-	-	770 012
Speaker								
MT Kibi	-	606 410	-	10 800	-	-	-	617 210
Executive Committee								
UR Itumeleng	-	568 510	-	9 600	-	-	-	578 110
TA Sintu	-	568 510	-	9 600	-	-	-	578 110
KJ Arens	-	6 860	-	-	-	-	-	6 860
Councillors								
GL Nkumbi	-	354 571	-	-	-	-	-	354 571
H de Villiers	-	57 120	-	-	-	-	-	57 120
NS Thomas	-	14 542	-	-	-	-	-	14 542
ME Bitterbos	-	14 542	-	-	-	-	-	14 542
WJ du Plessis	-	14 542	-	-	-	-	-	14 542
A Fritz	-	14 542	-	-	-	-	-	14 542
JH George	-	14 542	-	-	-	-	-	14 542
J Grobbelaar	-	228 481	-	-	-	-	-	228 481
DP Jason	-	14 542	-	-	-	-	-	14 542
P Louw	-	13 330	-	-	-	-	-	13 330
EL Schultz	-	171 361	-	-	-	-	-	171 361
CC Jantjies	-	7 271	-	-	-	-	-	7 271
PN Signeur	-	228 481	-	-	-	-	-	228 481
LC van Niekerk	-	14 542	-	-	-	-	-	14 542
FM van Wyk	-	14 542	-	-	-	-	-	14 542
Total for Councillors	-	3 685 252	-	42 000	-	-	-	3 727 252
Municipal Manager								
RE Pieterse	-	922 260	76 855	103 290	-	-	167 878	1 270 284
Chief Financial Officer								
BF James	-	832 200	69 350	89 068	-	-	151 668	1 142 286
Manager: Infrastructure								
HP Greeff	-	764 491	55 450	95 427	-	-	1 872	917 240
Manager: Planner PIMS								
TS Diokpala	-	136 423	9 733	16 760	-	-	32 004	194 920
Manager: Chief Corporate Services								
TA Loko	-	808 308	-	101 723	-	-	147 367	1 057 398
Manager: Office of the Executive Mayor								
MK Mfazwe	-	376 672	30 894	88 200	-	-	106 090	601 856
Communication Manager								
WAE Renene	-	101 964	49 961	22 050	-	-	17 151	191 126
BA Bosch	-	185 364	12 873	43 500	-	-	42 434	284 171
Total for Senior Managers	-	4 127 682	305 116	560 019	-	-	666 464	5 659 280
Total for Management	-	7 812 934	305 116	602 019	-	-	666 464	9 386 532

30 June 2015

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R
Mayor								
JZ Lolwana	-	718 495	-	12 000	-	-	-	730 495
Speaker								
MT Kibi	-	574 796	-	10 800	-	-	-	585 596
Executive Committee								
UR Itumeleng	-	538 872	-	9 600	-	-	-	548 472
TA Sintu	-	538 872	-	9 600	-	-	-	548 472
KJ Arens	-	69 520	-	28 030	-	-	-	97 550
Councillors								
GL Nkumbi	-	262 212	-	-	-	-	-	262 212
NS Thomas	-	13 719	-	-	-	-	-	13 719
ME Bitterbos	-	13 719	-	-	-	-	-	13 719
WJ du Plessis	-	13 719	-	-	-	-	-	13 719
A Fritz	-	13 719	-	-	-	-	-	13 719
JH George	-	13 719	-	-	-	-	-	13 719
J Grobbelaar	-	215 548	-	-	-	-	-	215 548
DP Jason	-	13 719	-	-	-	-	-	13 719
P Louw	-	13 719	-	-	-	-	-	13 719
EL Schultz	-	215 548	-	-	-	-	-	215 548
PN Signeur	-	215 548	-	-	-	-	-	215 548
LC van Niekerk	-	13 719	-	-	-	-	-	13 719
FM van Wyk	-	13 719	-	-	-	-	-	13 719
Total for Councillors	-	3 472 882	-	70 030	-	-	-	3 542 912
Municipal Manager								
RE Pieterse	-	856 800	71 400	100 481	-	-	156 090	1 184 771
Chief Financial Officer								
BF James	-	772 800	64 400	86 732	-	-	140 970	1 064 902
Manager: Infrastructure								
HP Greeff	-	348 644	-	54 135	-	-	1 089	403 867
Manager: Planner PIMS								
TS Diokpala	-	700 300	54 150	92 616	-	-	118 830	965 896
Manager: Chief Corporate Services								
TA Loko	-	700 800	58 400	98 519	-	-	128 010	985 729
Manager: Office of the Executive Mayor								
MK Mfazwe	-	230 984	-	58 800	-	-	65 837	355 621
Communication Manager								
WAE Renene	-	556 873	48 000	97 689	-	-	7 063	709 625
Total for Senior Managers	-	4 167 201	296 350	588 974	-	-	617 889	5 670 413
Total for Management	-	7 640 082	296 350	659 004	-	-	617 889	9 213 325

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2016	2015	
1. FINANCIAL POSITION						
A. Asset Management / Utilisation						
1.	Capital Expenditure to Total Expenditure	10% - 20%	Total Operating Expenditure	2.16%	5.37%	As the Municipality is a District Municipality, it does not invest in Infrastructure Assets.
			Taxation Expense	50 069 493	45 913 625	
			Total Capital Expenditure	-	-	
				1 105 241	2 603 517	
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%	PPE, Investment Property & Intangible Impairment	0.00%	0.00%	
			PPE at Carrying Value	-	-	
			IP at Carrying Value	11 712 603	12 660 786	
			Intangible Assets at Carrying Value	860 000	1 953 700	
				14 475	37 374	
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%	Total Repairs and Maintenance Expenditure	1.92%	2.07%	As the Municipality is a District Municipality, it does not invest in Infrastructure Assets and the repair / maintenance thereof.
			PPE at Carrying Value	241 067	302 791	
			Investment Property at Carrying Value	11 712 603	12 660 786	
				860 000	1 953 700	
B. Debtors Management						
1.	Collection Rate	95%	Gross Debtors Closing Balance	98.85%	61.51%	
			Gross Debtors Opening Balance	1 453 140	1 416 360	
			Bad Debts Written-off	1 416 360	152 594	
			Billed Revenue	-	-	
				3 188 427	3 283 481	
2.	Bad Debts Written-off as % of Provision for Bad Debt	100%	Consumer Debtors Bad Debts Written-off	0.00%	0.00%	
			Consumer Debtors Current Bad Debt Provision	-	-	
				123 327	868 546	
3.	Net Debtors Days	30 Days	Gross Debtors	152 Days	61 Days	A number of the Shared Service Debtors are not able to meet their financial responsibilities due to cash flow problems. These debtors were provided for.
			Bad Debts Provision	1 453 140	1 416 360	
			Billed Revenue	123 327	868 546	
				3 188 427	3 283 481	
C. Liquidity Management						
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 Months	Cash and Cash Equivalents	0 Months	0 Months	The Municipality ensures that all debt is paid within the 30 day requirement as per the MFMA.
			Unspent Conditional Grants	550 207	524 801	
			Overdraft	1 580 591	925 119	
			Short-term Investments	-	-	
			Total Annual Operational Expenditure	-	-	
				50 069 493	45 913 625	
2.	Current Ratio	1.5 - 2:1	Current Assets	0.07	0.08	The unfavourable ratio is due to the current portion of the Retirement Benefit Liabilities.
			Current Liabilities	722 492	905 022	
				9 901 368	11 128 610	
C. Liability Management						
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%	Interest Paid	-0.26%	1.05%	
			Redemption	1 031 280	1 248 445	
			Total Operating Expenditure	(1 162 976)	(768 223)	
			Taxation Expense	50 069 493	45 913 625	
				-	-	
2.	Debt (Total Borrowings) / Revenue	45%	Total Debt	57.30%	77.03%	
			Total Operating Revenue	2 374 428	3 537 404	
			Operational Conditional Grants	50 663 291	41 534 174	
				46 519 540	36 941 975	
C. Sustainability						
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%	Cash and Cash Equivalents	100.00%	100.00%	
			Bank Overdraft	550 207	524 801	
			Short Term Investment	-	-	
			Long Term Investment	-	-	
			Unspent Grants	-	-	
			Net Assets	1 580 591	925 119	
			Share Premium	(11 062 312)	(11 656 109)	
			Share Capital	-	-	
			Revaluation Reserve	-	-	
			Fair Value Adjustment Reserve	-	-	
			Accumulated Surplus	-	-	
				(11 062 312)	(11 656 109)	
2. FINANCIAL PERFORMANCE						
A. Efficiency						
1.	Net Operating Surplus Margin	= or > 0%	Total Operating Revenue	1.17%	-10.54%	
			Depreciation - Revalued Portion	50 663 291	41 534 174	
			Total Operating Expenditure	-	-	
			Taxation Expense	50 069 493	45 913 625	
				-	-	
2.	Net Surplus / Deficit Electricity	0% - 15%	Total Electricity Revenue	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Total Electricity Expenditure	-	-	
				-	-	
3.	Net Surplus / Deficit Water	= or > 0%	Total Water Revenue	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Total Water Expenditure	-	-	
				-	-	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2016	2015	
4.	Net Surplus / Deficit Refuse	= or > 0%	Total Refuse Revenue	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Total Refuse Expenditure	-	-	
				-	-	
5.	Net Surplus / Deficit Sanitation and Waste Water	= or > 0%	Total Sanitation and Waste Water Revenue	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Total Sanitation and Waste Water Expenditure	-	-	
				-	-	
B. Distribution Losses						
1.	Electricity Distribution Losses (Percentage)	7% - 10%	Number of Units Purchased and/or Generated	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Number of Units Sold	-	-	
				-	-	
2.	Water Distribution Losses (Percentage)	15% - 30%	Number of Kilolitres Purchased and/or Purified	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Number of Kilolitres Sold	-	-	
				-	-	
C. Revenue Management						
1.	Growth in Number of Active Consumer Accounts	None	Number of Active Debtors Accounts (Previous)	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Number of Active Debtors Accounts (Current)	-	-	
				-	-	
2.	Revenue Growth (%)	= CPI	CPI	21.98%	5.79%	During the 2015 financial year, the Municipality incurred less Grant-related Expenditure resulting in the decrease in Expenditure as well as a decrease in the funds that can be recognised as Grants and Subsidies Received (Revenue). This is due to a number of projects that were completed during the year, which were carried forward from the 2014
			Total Revenue (Previous)	6.60%	5.50%	
			Total Revenue (Current)	41 534 174	39 262 324	
				50 663 291	41 534 174	
3.	Revenue Growth (%) - Excluding Capital Grants	= CPI	CPI	23.88%	4.16%	
			Total Revenue, excluding Capital Grants (Previous)	6.60%	5.50%	
			Total Revenue, excluding Capital Grants (Current)	40 897 256	39 262 324	
				50 663 291	40 897 256	
D. Expenditure Management						
1.	Creditors Payment Period (Trade Creditors)	30 Days	Trade Creditors	39 Days	10 Days	The Municipality has an arrangement with the Auditor-General by which it is repaying its outstanding debt.
			Contracted Services	879 002	283 342	
			Repairs and Maintenance	239 300	56 930	
			General Expenses	241 067	302 791	
			Bulk Purchases	7 689 116	9 933 226	
			Capital Credit Purchases	-	-	
				-	-	
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%	Irregular, Fruitless & Wasteful and Unauthorised Expenditure	0.00%	4.84%	
			Total Operating Expenditure	-	2 222 414	
			Taxation Expense	50 069 493	45 913 625	
3.	Remuneration as % of Total Operating Expenditure	25% - 40%	Employee / Personnel Related Cost	64.00%	63.35%	As the Municipality is a District Municipality, the Employee Related Costs represent the majority of its Operating Expenditure due to the nature of service provided.
			Councillors Remuneration	28 315 405	25 544 394	
			Total Operating Expenditure	3 727 252	3 542 912	
			Taxation Expense	50 069 493	45 913 625	
				-	-	
4.	Contracted Services % of Total Operating Expenditure	2% - 5%	Contracted Services	0.48%	0.12%	
			Total Operating Expenditure	239 300	56 930	
			Taxation Expense	50 069 493	45 913 625	
				-	-	
E. Grant Dependency						
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	None	Internally Generated Funds	100.00%	100.00%	The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases.
			Borrowings	(6 693)	957 991	
			Total Capital Expenditure	1 111 934	1 645 526	
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None	Internally Generated Funds	-0.61%	36.80%	Due to the maetrial decrease in the Municipality's cash reserves, it had to finance its capital needs through the use of finance leases.
			Total Capital Expenditure	(6 693)	957 991	
				1 105 241	2 603 517	
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	None	Total Revenue	8.18%	9.66%	Remained consistent with that of the previous financial year.
			Government Grant and Subsidies	50 663 291	41 534 174	
			Public Contributions and Donations	46 519 539	37 578 893	
			Capital Grants	-	5 700	
				-	636 918	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2016	2015	
3. BUDGET IMPLEMENTATION						
A. Efficiency						
1.	Capital Expenditure Budget Implementation Indicator	95% - 100%		10047.65%	297.54%	The Municipality incurred additional additions for which it did not budget.
			Actual Capital Expenditure	1 105 241	2 603 517	
			Budgeted Capital Expenditure	11 000	875 000	
2.	Operating Expenditure Budget Implementation Indicator	95% - 100%		91.85%	92.65%	The Municipality implemented cost cutting procedures, which resulted in funds being saved.
			Actual Operating Expenditure	50 069 493	45 913 625	
			Budgeted Operating Expenditure	54 512 000	49 557 000	
3.	Operating Revenue Budget Implementation Indicator	95% - 100%		95.90%	99.81%	
			Actual Operating Revenue	50 663 291	41 534 174	
			Budgeted Operating Revenue	52 827 000	41 615 000	
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		100.00%	100.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Actual Service Charges and Property Rates Revenue	0	0	
			Budgeted Service Charges and Property Rates Revenue	0	0	
Interpretation of Results:						
	The green colour indicates that the result is within the norm and is acceptable.					
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.					
	Data should be captured in the blue coloured cell to calculate a ratio.					
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.					